Main Street Capital CORP
Form 497
January 13, 2010

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

PROSPECTUS SUPPLEMENT
(to Prospectus dated May 1, 2009)

2,500,000 Shares

Main Street Capital Corporation
Common Stock

We are offering for sale 2,500,000 shares of our common stock. We are a principal investment firm focused on providing customized debt and equity financing to lower middle-market companies that operate in diverse industries. We seek to fill the current financing gap for lower middle-market businesses, which have more limited access to financing from commercial banks and other traditional sources. Given the current credit environment, we believe the limited access to financing for lower middle-market companies is even more pronounced.

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.

Our common stock is listed on the Nasdaq Global Select Market under the symbol MAIN. On January 12, 2010, the last reported sale price of our common stock on the Nasdaq Global Select Market was $14.92 per share.

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

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before investing and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056 or by telephone at (713) 350-6000 or on our website at *www.mainstcapital.com.* Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus. The Securities and Exchange Commission also maintains a website at *www.sec.gov* that contains such information.

	Per Share	Total
Public offering price	$ 14.7500	$ 36,875,000
Underwriting discount (5.0%)	$ 0.7375	$ 1,843,750
Proceeds, before expenses, to us(1)	$ 14.0125	$ 35,031,250

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

The underwriters have the option to purchase up to an additional 375,000 shares of common stock at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover any over-allotments. If the over-allotment option is exercised in full, the total public offering price will be $42,406,250, and the total underwriting discount (5.0%) will be $2,120,313 . The proceeds to us would be $40,285,937, before deducting estimated expenses payable by us of $200,000.

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

The underwriters expect to deliver the shares on or about January 19, 2010.

Morgan Keegan & Company, Inc.

BB&T Capital Markets
A Division of Scott & Stringfellow, LLC

Janney Montgomery Scott

Ladenburg Thalmann & Co. Inc.

Madison Williams and Company

The date of this prospectus supplement is January 13, 2010

TABLE OF CONTENTS

Table of Contents

ABOUT THE PROSPECTUS

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

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

Forward-Looking Statements

Information contained in this prospectus supplement and the accompanying prospectus may contain forward-looking statements, which can be identified by the use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, or continue or the negative thereof or other variations thereon or comparable terminology. The matters described in 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.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand the terms of the common stock offered hereby, you should read the entire prospectus supplement and the accompanying prospectus carefully. Together, these documents describe the specific terms of the shares we are offering. You should carefully read the sections titled Unaudited Selected Pro Forma Combined Financial Data, Selected Financial Data, Interim Management s Discussion and Analysis of Financial Condition and Results of Operations, Interim Financial Statements, Audited and Interim Financial Statements of Main Street Capital II, LP, Unaudited Pro Forma Condensed Combined Financial Statements and the documents identified in the section titled Available Information in this prospectus supplement, as well as the section titled Risk Factors in the accompanying prospectus. Except as otherwise noted, all information in this prospectus supplement and the accompanying prospectus assumes no exercise of the underwriters over-allotment option.

Main Street Capital Corporation (MSCC) was formed on March 9, 2007, for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP (the Fund) and its general partner, Main Street Mezzanine Management, LLC (the General Partner), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the Investment Manager), (iii) raising capital in an initial public offering, which was completed in October 2007 (the IPO), and (iv) thereafter operating as an internally managed business development company (BDC) under the Investment Company Act of 1940 (the 1940 Act). The transactions discussed above were consummated in October 2007 and are collectively termed the Formation Transactions. Unless otherwise noted or the context otherwise indicates, the terms we, us, our and Main Street refer to the Fund and the General Partner prior to the IPO and to MSCC and its subsidiaries, including the Fund and the General Partner, subsequent to the IPO.

Main Street

We are a principal investment firm focused on providing customized debt and equity financing to lower middle-market companies, which we generally define as companies with annual revenues between $10 million and $100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of lower middle-market companies based in the United States. Our principal investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our core portfolio investments generally range in size from $2 million to $15 million.

Our investments have generally been made through both MSCC and the Fund. Since the IPO, MSCC and the Fund have co-invested in substantially every investment we have made. MSCC and the Fund share the same investment strategies and criteria in the lower middle-market, although they are subject to different regulatory regimes. An investor s return in MSCC will depend, in part, on the Fund s investment returns as the Fund is a wholly owned subsidiary of MSCC.

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

Table of Contents

As of September 30, 2009, we had debt and equity investments in 36 core portfolio companies (which excludes marketable securities, idle funds investments and our investment in the affiliated Investment Manager) with an aggregate fair value of $123 million and a weighted average effective yield on our debt investments of approximately 14%. As of September 30, 2009, approximately 81% of our total core portfolio investments at cost were in the form of debt investments and 92% of such debt investments at cost were secured by first priority liens on the assets of our portfolio companies. At September 30, 2009, we had equity ownership in approximately 92% of our core portfolio companies and the average fully diluted equity ownership in these portfolio companies was approximately 24%.

Our principal executive offices are located at 1300 Post Oak Boulevard, Suite 800, Houston, Texas 77056, and our telephone number is (713) 350-6000. We maintain a website at *http://www.mainstcapital.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement or the accompanying prospectus.

Recent Developments

The Exchange Offer

On January 7, 2010, MSCC consummated the transactions related to its formal offer (the Exchange Offer) commenced on September 23, 2009 to exchange shares of its common stock for at least a majority of the limited partner interests in Main Street Capital II, LP (MSC II). The Exchange Offer was applicable to all MSC II limited partner interests except for any limited partner interests owned by affiliates of MSCC, including any limited partner interests owned by officers or directors of MSCC. The Exchange Offer was formally approved by the U.S. Small Business Administration (the SBA) prior to closing. At the closing of the Exchange Offer, approximately 88% of the total dollar value of MSC II limited partner interests were validly exchanged for 1,239,695 shares of MSCC common stock (the Exchange Shares). The Exchange Shares are subject to a one-year contractual lock-up from the Exchange Offer closing date. An approximately 12% minority ownership in the total dollar value of the MSC II limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC. Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II, Main Street Capital II GP, LLC (MSC II GP), were also transferred to MSCC for no consideration. The Exchange Offer and related transactions, including the transfer of the MSC II GP interests, are collectively termed the Exchange Offer Transactions.

MSC II is an investment fund that operates as a Small Business Investment Company (SBIC) and commenced operations in January 2006. MSC II has similar investment strategies to MSCC and the Fund and is managed by the Investment Manager pursuant to a separate investment advisory services agreement. In addition, approximately 88% of the current MSC II portfolio investments have represented co-investments with MSCC and/or the Fund.

As of September 30, 2009, the pro forma combined core investment portfolio reflects debt and equity investments in 39 core portfolio companies with an aggregate fair value of $192 million and a weighted average effective yield on its debt investments of approximately 14%. Approximately 83% of the pro forma combined core portfolio investments at cost were in the form of debt investments and 92% of such debt investments at cost were secured by first priority liens on the assets of the portfolio companies as of September 30, 2009. At September 30, 2009, the pro forma combined core investment portfolio reflects equity ownership in approximately 92% of the core portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 35%. The weighted average yields were computed using the effective interest rates for all debt investments at September 30, 2009, including amortization of deferred debt origination fees and accretion of original issue discount but excluding any debt investments on non-accrual status. For more information on MSC II and MSC II GP and the Exchange Offer Transactions, see Unaudited Selected Pro Forma Combined Financial Data, Audited and Interim Financial Statements of Main Street Capital II, LP and Unaudited Pro Forma Condensed Combined Financial Statements in this prospectus supplement.

MSC II currently has $70 million of SBIC debentures outstanding, which are guaranteed by the SBA and carry an average fixed interest rate of approximately 6%. SBIC debentures have fixed interest rates that

Table of Contents

approximate prevailing 10-year Treasury Note rates when issued plus a market-determined spread. SBIC debentures are non-recourse and have a maturity of ten years from issuance. Until maturity, SBIC debentures are interest only with interest payable semi-annually. The principal amount of the MSC II SBIC debentures is not required to be paid before maturity but may be pre-paid at any time. The first principal maturity related to MSC II s SBIC debentures does not occur until 2016.

Consummation of the Exchange Offer Transactions provides Main Street with access to additional long-term, low-cost leverage capacity through the SBIC program. The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the Stimulus Bill) increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds from the previous SBIC leverage cap of approximately $137 million as adjusted annually based on the Consumer Price Index. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, Main Street is required to allocate such increased borrowing capacity between the Fund and MSC II. Subsequent to the Exchange Offer, Main Street will have access to an incremental $90 million in SBIC leverage capacity, subject to the required capitalization of each fund, in addition to the $70 million of existing MSC II SBIC leverage and the $65 million of SBIC leverage at the Fund. At the closing of the Exchange Offer, Main Street funded approximately $24 million in unfunded limited partner commitments for the limited partner interests it acquired in connection with the Exchange Offer in order to comply with SBA regulatory requirements, which was funded by Main Street in part with approximately $12 million drawn down under its $30 million, three-year investment credit facility. We currently project that consummation of the Exchange Offer Transactions will be accretive to our calendar year 2010 distributable net investment income per share.

Other

During October 2009, we sold our portfolio investment in Universal Scaffolding & Equipment, LLC (Universal), which was on non-accrual status as of September 30, 2009, for $0.8 million. We had recorded unrealized depreciation as of September 30, 2009 on our Universal investment equal to the loss we realized on the sale in the fourth quarter of 2009.

During November 2009, we completed a $4.8 million portfolio investment in Drilling Info, Inc. (Drilling Info). Our investment in Drilling Info consists of a second lien, secured debt investment with an equity warrant participation representing an approximate 3% equity interest in Drilling Info. Drilling Info is the premier information service provider for the domestic upstream oil and gas industry, providing an integrated land, production, and well information platform to a base of over 10,000 users in the energy sector. Through a subscription-based revenue model, Drilling Info provides comprehensive and up-to-date data to its customers as well as a full complement of web-based applications and tools. Consistent with our investment policies, MSC II made a $3.2 million co-investment in Drilling Info at the same time and on identical terms to our investment.

On December 8, 2009, we declared monthly dividends of $0.125 per share for each of January, February and March 2010. These monthly dividends equate to a total of $0.375 per share for the first quarter of 2010 representing an annualized dividend yield of approximately 9.3% based on the closing price of our common stock on the Nasdaq Global Select Market on January 11, 2010.

In December 2009, we, through the Fund, drew $10 million of SBIC funding from the SBA. These borrowings will be included in the March 2010 SBIC debenture pooling. Until pooled, these funds will bear an interim annual interest rate of approximately 1.0%. The pooling will result in debentures with a maturity date of March 2020 and an interest rate to be determined at the time of pooling based upon the then current 10-year U.S. Treasury rate plus a fixed charge.

On December 31, 2009, the Employment Agreements dated October 11, 2007 between MSCC and each of Todd A. Reppert, President and Chief Financial Officer; Rodger A. Stout, Senior Vice President-Finance & Administration, Chief Compliance Officer and Treasurer; Curtis L. Hartman, Senior Vice President; Dwayne L. Hyzak, Senior Vice President; and David L. Magdol, Senior Vice President, as amended by amendments dated July 1, 2009, expired on their stated termination date and are no longer in effect. Although each of these executive officers remains employed by Main Street in the same capacity, Main Street has no current intention to extend or renew the expired Employment Agreements.

Table of Contents

The Offering

Common stock offered by us	2,500,000 shares
Common stock outstanding prior to this offering	12,082,142 shares (including 1,239,695 shares of common stock issued in connection with the Exchange Offer and approximately 93,000 shares issued under our dividend reinvestment plan in the fourth quarter of 2009)
Common stock to be outstanding after this offering	14,582,142 shares
Over-allotment option	375,000 shares
Use of proceeds	The net proceeds from this offering (without exercise of the over-allotment option and before deducting estimated expenses payable by us of approximately $200,000) will be $35,031,250. We intend to use approximately $12 million of the net proceeds from this offering to repay outstanding debt borrowed under our $30 million investment credit facility to fund capital commitments to MSC II assumed by MSCC in the Exchange Offer, and we intend to use the remaining net proceeds from this offering to make investments in lower middle-market companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations and for general corporate purposes. Pending such uses, we may invest the net proceeds of this offering primarily in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt and high quality debt investments, consistent with our business development company (BDC) election and our election to be taxed as a regulated investment company (RIC). See Regulation Regulation as a Business Development Company Idle Funds Investments in the accompanying prospectus.
Dividends and distributions	Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. From our IPO through the third quarter of 2008 we paid quarterly dividends, but in the fourth quarter of 2008 we began paying, and we intend to continue paying, monthly dividends to our stockholders. In December 2009, we declared monthly dividends of $0.125 per share for each of January, February and March 2010. These monthly dividends equate to a total of $0.375 per share for the first quarter of 2010 representing an annualized dividend yield of approximately 9.3% based on

the closing price of our common stock on the Nasdaq Global Select Market on January 11, 2010. Because the record date for the January 2010 dividend is prior to the date of this offering, investors who purchase shares of our common stock in this offering will not be entitled to receive such

	dividend. However, investors who purchase shares of common stock in this offering will be entitled to receive the February 2010 monthly dividend and subsequent monthly dividends provided that they continue to hold such shares.
Taxation	MSCC has elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Internal Revenue Code (the Code). Accordingly, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. See Material U.S. Federal Income Tax Considerations in the accompanying prospectus.
Risk factors	See Risk Factors beginning on page 10 of the accompanying prospectus for a discussion of risks you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq Global Select Market symbol	MAIN
Conflicts of Interest	Affiliates of BB&T Capital Markets, an underwriter in this offering, act as lenders and/or agents under our $30 million investment credit facility. As described under Use of Proceeds and Underwriting Conflicts of Interest herein, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this credit facility and those affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings.

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 and reflects our acquisition of a majority interest in MSC II in connection with the Exchange Offer. 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.

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)	5.00%(1)
Offering expenses (as a percentage of offering price)	0.54%(2)
Dividend reinvestment plan expenses	(3)
Total stockholder transaction expenses (as a percentage of offering price)	5.54%
Annual Expenses (as a percentage of net assets attributable to common stock):	
Operating expenses	4.46%(4)
Interest payments on borrowed funds	5.50%(5)
Total annual expenses	9.96%(6)

(1) Represents the underwriting discount with respect to the shares sold by us in this offering.

(2) The offering expenses of this offering are estimated to be approximately $200,000. If the underwriters exercise their over-allotment option in full, the offering expenses borne by us (as a percentage of the offering price) will be approximately 0.47%.

(3) The expenses of administering our dividend reinvestment plan are included in operating expenses.

(4) Operating expenses represent the estimated annual expenses of MSCC and its pro forma consolidated subsidiaries, including MSC II. There is a 12% minority ownership interest in MSC II not held by MSCC or its subsidiaries. The ratio of operating expenses to net assets, net of the expenses related to the minority interest in MSC II, would be 4.26%.

(5) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds.

(6) The total annual expenses are the sum of operating expenses and interest payments on borrowed funds. In the future we may borrow money to leverage our net assets and increase our total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above, and that you would pay a sales load of 5.0% (the underwriting discount to be paid by us with respect to common stock sold by us in this offering).

	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	$ 157	$ 346	$ 515	$ 867

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 divided reinvestment plan or (ii) the average purchase price of all shares of common stock purchased by the administrator of the dividend reinvestment plan in the event that shares are purchased in the open market to satisfy the share requirements of the dividend reinvestment plan, which may be at, above or below net asset value. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

Table of Contents

USE OF PROCEEDS

The net proceeds from the sale of the 2,500,000 shares of common stock in this offering are $34,831,250, and $40,085,937 if the underwriter s over-allotment option is exercised in full, after deducting the underwriting discount and estimated offering expenses of approximately $200,000 payable by us.

We intend to use approximately $12 million of the net proceeds from this offering to repay outstanding debt borrowed under our $30 million investment credit facility to fund capital commitments to MSC II assumed by MSCC in connection with the Exchange Offer in order to comply with SBA regulatory requirements. We intend to use any remaining net proceeds from this offering to make investments in lower middle-market companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus, pay our operating expenses and other cash obligations and for general corporate purposes. Pending such uses, we may invest the net proceeds of this offering primarily in marketable securities and idle funds investments, which may include investments in secured intermediate term bank debt and high quality debt investments, consistent with our BDC election and our election to be taxed as a RIC. See Regulation Regulation as a Business Development Company Idle Funds Investments in the accompanying prospectus.

At January 12, 2010, we had approximately $12 million outstanding under our $30 million investment credit facility. Our investment credit facility matures on October 24, 2011, unless extended, and bears interest, at our election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate plus 0.75%. Amounts repaid under our $30 million investment credit facility will remain available for future borrowings.

Affiliates of BB&T Capital Markets, an underwriter in this offering, act as lenders and/or agents under our $30 million investment credit facility. As described above, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this credit facility, and those affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings. See Underwriting Conflicts of Interest below.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization:

on an actual basis as of September 30, 2009; and

on an as-adjusted basis giving effect to the Exchange Offer Transactions; and

on an as-adjusted further basis giving effect to the Exchange Offer Transactions and the sale of 2,500,000 shares of our common stock in this offering at the public offering price of $14.75 per share, less estimated underwriting discounts and offering expenses payable by us.

This table should be read in conjunction with Interim Management s Discussion and Analysis of Financial Condition and Results of Operations, Interim Financial Statements, Audited and Interim Financial Statements of Main Street Capital II, LP and Unaudited Pro Forma Condensed Combined Financial Statements in this prospectus supplement.

	As of September 30, 2009		
	Actual	As-adjusted for the Exchange Offer Transactions(1)	As-adjusted further for this Offering
		(Unaudited)	
Cash and cash equivalents	$ 8,216,699	$ 36,287,052	$ 38,287,052
Marketable securities and idle funds investments (cost: $39,498,257, $35,641,964 and $56,473,214, actual, as adjusted for the Exchange Offer Transactions and as adjusted further for this offering, respectively)	39,912,232	36,183,643	57,014,893
Total cash and cash equivalents and marketable securities and idle funds investments	$ 48,128,931	$ 72,470,695	$ 95,301,945
SBIC debentures	$ 55,000,000	$ 108,540,753	$ 108,540,753
Bank Line of Credit		12,000,000	
Stockholders equity (net asset value):			
Common stock, $0.01 par value per share (150,000,000 shares authorized; 10,749,640, 11,989,335 and 14,489,335 issued and outstanding, actual, as adjusted for the Exchange Offer Transactions and as adjusted further for this offering, respectively)	107,496	119,893	144,893
Additional paid-in capital	121,886,302	127,849,062	162,655,312
Undistributed net realized income	830,071	4,545,567	4,545,567
Net unrealized appreciation from investments, net of income taxes	6,238,956	6,238,956	6,238,956

Noncontrolling interest		3,259,063	3,259,063
Total stockholders equity (net asset value)	129,062,825	142,012,541	176,843,791
Total capitalization	$ 184,062,825	$ 262,553,294	$ 285,384,544

(1) See the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2009 and the corresponding notes in Note C of the Notes to Pro Forma Condensed Combined Financial Statements in the Unaudited Pro Forma Condensed Combined Financial Statements for detail regarding the adjustments for the Exchange Offer Transactions.

Table of Contents

UNAUDITED SELECTED PRO FORMA COMBINED FINANCIAL DATA

The following tables set forth unaudited pro forma condensed combined financial data that illustrate the effect of the Exchange Offer, and related transactions, on Main Street s financial position and results of operations based upon the companies respective historical financial positions and results of operations under the acquisition method of accounting with Main Street treated as the acquirer. Under this method of accounting, the assets and liabilities of MSC II will be recorded by Main Street at their estimated fair values as of the date of the Exchange Offer. The unaudited selected pro forma combined financial data of Main Street and MSC II has been derived from the unaudited pro forma condensed combined balance sheet as of September 30, 2009 and the unaudited pro forma condensed combined income statements for the year ended December 31, 2008 and the nine months ended September 30, 2009. For more information regarding the pro forma financial data, please refer to the unaudited pro forma condensed combined financial statements and the related footnotes included in this prospectus supplement. The pro forma condensed combined balance sheet as of September 30, 2009 assumes the Exchange Offer and related transactions took place on that date. The pro forma condensed combined statements of income for the year ended December 31, 2008 and for the nine months ended September 30, 2009 assume the Exchange Offer and related transactions took place on January 1, 2008.

The unaudited selected pro forma combined financial data should be read together with the historical consolidated financial statements of Main Street, the historical combined financial statements of MSC II and the general partner of MSC II and the unaudited pro forma condensed combined financial statements, and the related footnotes to those financial statements, included in this prospectus. The unaudited selected pro forma combined financial data is presented for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Main Street or MSC II would have been had the Exchange Offer and related transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position.

	Year Ended December 31, 2008	Nine Months Ended September 30, 2009
	(Unaudited)	
Pro Forma Condensed Combined Income Statement:		
Interest, fee and dividend income	$ 24,929,973	$ 16,867,921
Interest from marketable securities, idle funds and other	1,708,030	1,649,231
Total investment income	26,638,003	18,517,152
Interest	(7,292,222)	(5,856,907)
General and administrative	(1,862,282)	(1,180,147)
Expenses reimbursed to affiliated Investment Manager	(4,332,035)	(2,800,075)
Share-based compensation	(511,452)	(767,218)
Total expenses	(13,997,991)	(10,604,347)
Net investment income	12,640,012	7,912,805
Net realized gain (loss)	(576,476)	1,953,714

Net realized income		12,063,536		9,866,519
Net unrealized depreciation investment portfolio		(6,894,209)		(4,970,328)
Net unrealized depreciation investment in affiliated Investment Manager		(113,925)		380,492
Income tax (provision) benefit		3,590,833		129,685
Bargain purchase gain		3,715,496		
Net increase (decrease) in net assets resulting from operations		12,361,731		5,406,368
Noncontrolling interest		360,378		657,903
Net increase (decrease) in net assets resulting from operations, net of noncontrolling interest	$	12,722,109	$	6,064,271
Net investment income per share, net of noncontrolling interest	$	1.20	$	0.70
Net realized income per share, net of noncontrolling interest	$	1.16	$	0.88
Net increase (decrease) in net assets resulting from operations per share, net of noncontrolling interest	$	1.23	$	0.55
Weighted average shares outstanding		10,335,599		11,027,921

Table of Contents

		September 30, 2009 (Unaudited)
Pro Forma Condensed Combined Balance Sheet:		
Assets		
Investments core portfolio	$	191,576,461
Investment in affiliated Investment Manager		2,381,567
Marketable securities and idle funds investments		36,183,643
Cash and cash equivalents		36,287,052
Other assets		4,397,224
Total assets	$	270,825,947
Liabilities and Net Asset Value		
SBIC debentures	$	108,540,753
Bank line of credit		12,000,000
Other liabilities		8,272,653
Total liabilities		128,813,406
Net asset value (before noncontrolling interest)		138,753,478
Noncontrolling interest		3,259,063
Total net asset value		142,012,541
Total liabilities and net asset value	$	270,825,947
Net Asset Value Per Share (before noncontrolling interest)	$	11.57

Table of Contents

SELECTED FINANCIAL DATA

The selected financial data below reflects the combined operations of the Fund and the General Partner for the years ended December 31, 2004, 2005 and 2006 and the consolidated operations of Main Street and its subsidiaries for the years ended December 31, 2007 and 2008 and the nine months ended September 30, 2008 and 2009. The selected financial data does not reflect Main Street s acquisition of a majority interest in MSC II in connection with the Exchange Offer given that it occurred after the periods presented. See Unaudited Selected Pro Forma Combined Financial Data, and Unaudited Pro Forma Condensed Combined Financial Statements in this prospectus supplement for an illustration of the effect of the Exchange Offer and related transactions on Main Street s financial position and results of operations. The selected financial data at December 31, 2005, 2006, 2007 and 2008, and for the years ended December 31, 2004, 2005, 2006, 2007 and 2008, have been derived from combined/consolidated financial statements that have been audited by Grant Thornton LLP, an independent registered public accounting firm. The selected financial data at December 31, 2004 has been derived from unaudited combined financial statements. The selected financial data for the nine months ended September 30, 2008 and 2009, and as of September 30, 2008 and 2009, has been derived from unaudited financial data but, in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim periods. Interim results as of and for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. You should read this selected financial 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.

	Years Ended December 31,					Nine Months Ended September 30, (Unaudited)	
	2004	2005	2006	2007	2008	2008	2009
	(Dollars in thousands)						
Statement of operations data:							
Investment income:							
Total interest, fee and dividend income	$ 4,452	$ 7,338	$ 9,013	$ 11,312	$ 15,967	$ 11,803	$ 10,380
Interest from idle funds and other	9	222	749	1,163	1,328	859	1,314
Total investment income	4,461	7,560	9,762	12,475	17,295	12,662	11,694
Expenses:							
Interest	(869)	(2,064)	(2,717)	(3,246)	(3,778)	(2,734)	(2,831)
General and administrative	(184)	(197)	(198)	(512)	(1,684)	(1,271)	(1,062)
Expenses reimbursed to Investment Manager					(1,007)	(720)	(306)
Share-based compensation					(511)	(316)	(767)
	(1,916)	(1,929)	(1,942)	(1,500)			

Management fees to affiliate							
Professional costs related to initial public offering				(695)			
Total expenses	(2,969)	(4,190)	(4,857)	(5,953)	(6,980)	(5,041)	(4,966)
Net investment income	1,492	3,370	4,905	6,522	10,315	7,621	6,728
Total net realized gain from investments	1,171	1,488	2,430	4,692	1,398	5,030	1,479
Net realized income	2,663	4,858	7,335	11,214	11,713	12,651	8,207
Total net change in unrealized appreciation (depreciation) from investments	1,764	3,032	8,488	(5,406)	(3,961)	(4,584)	1,312
Income tax benefit (provision)				(3,263)	3,182	2,297	789
Net increase (decrease) in net assets resulting from operations	$ 4,427	$ 7,890	$ 15,823	$ 2,545	$ 10,934	$ 10,364	$ 10,308
Net investment income per share basic and diluted(1)	N/A	N/A	N/A	$ 0.76	$ 1.13	$ 0.84	$ 0.69
Net realized income per share basic and diluted(1)	N/A	N/A	N/A	$ 1.31	$ 1.29	$ 1.40	$ 0.84
Net increase (decrease) in net assets resulting from operations per share basic and diluted(1)	N/A	N/A	N/A	$ 0.30	$ 1.20	$ 1.15	$ 1.05
Weighted average shares outstanding basic and diluted(1)	N/A	N/A	N/A	8,587,701	9,095,904	9,050,010	9,788,226

(1) In the first quarter of 2009, Main Street adopted Accounting Standards Codification 260-10-45-61A, *Earnings Per Share*. The December 31, 2008 data reflects changes pursuant to the adoption of this standard.

	As of December 31,					As of September 30,	
	2004	2005	2006	2007	2008	2008	2009
	(Unaudited)					(Unaudited)	
	(Dollars in thousands)						
Balance sheet data:							
Assets:							
Total portfolio investments at fair value	$ 37,972	$ 51,192	$ 73,711	$ 105,650	$ 127,007	$ 123,278	$ 139,799
Marketable securities and idle funds investments				24,063	4,390		39,912
Cash and cash equivalents	796	26,261	13,769	41,889	35,375	46,843	8,217
Deferred tax asset					1,121		1,186
Other assets	262	439	630	1,576	1,101	794	1,095
Deferred financing costs, net of accumulated amortization	984	1,442	1,333	1,670	1,635	1,472	1,421
Total assets	$ 40,014	$ 79,334	$ 89,443	$ 174,848	$ 170,629	$ 172,387	$ 191,630
Liabilities and net assets:							
SBIC debentures	$ 22,000	$ 45,100	$ 45,100	$ 55,000	$ 55,000	$ 55,000	$ 55,000
Marketable securities settlement liability							5,773
Deferred tax liability				3,026		238	
Interest payable	354	771	855	1,063	1,108	300	290
Accounts payable and other liabilities	422	194	216	610	2,165	1,431	1,504
Total liabilities	22,776	46,065	46,171	59,699	58,273	56,969	62,567
Total net assets	17,238	33,269	43,272	115,149	112,356	115,418	129,063
Total liabilities and net assets	$ 40,014	$ 79,334	$ 89,443	$ 174,848	$ 170,629	$ 172,387	$ 191,630
Other data:							
Weighted average effective yield on debt investments(1)	15.3%	15.3%	15.0%	14.3%	14.0%	13.7%	14.0%
Number of portfolio companies(2)	14	19	24	27	31	29	36
Expense ratios (as percentage of average							

net assets):							
Operating expenses(3)	13.7%	9.0%	5.5%	4.8%	2.8%	2.0%	1.8%
Interest expense	5.7%	8.8%	7.0%	5.7%	3.3%	2.4%	2.4%

(1) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes debt investments on non-accrual status.

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

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

Table of Contents

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated January 13, 2010, the underwriters named below, for whom Morgan Keegan & Company, Inc. is acting as representative, have severally agreed to purchase, and we have agreed to sell to them, the number of shares of common stock indicated below:

Underwriter	Number of Shares
Morgan Keegan & Company, Inc.	875,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	625,000
Ladenburg Thalmann & Co. Inc.	437,500
Janney Montgomery Scott LLC	312,500
Madison Williams and Company LLC	250,000
Total	2,500,000

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

Our common stock is listed on the Nasdaq Global Select Market under the symbol MAIN.

Over-Allotment Option

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 375,000 additional shares of common stock at the public offering price set forth on the cover page hereof, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter s name in the preceding table bears to the total number of shares set forth next to the names of all underwriters in the preceding table.

Lock-Up Agreements

We, and certain of our executive officers and directors, have agreed, subject to certain exceptions, not to issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, transfer, grant any option to purchase, establish an open put equivalent position or otherwise dispose of or agree to dispose of directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for any shares of our common stock or any right to acquire shares of our common stock, for 60 days from the date of this prospectus supplement, subject to extension upon material announcements or earnings releases. The representative, at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements.

Underwriting Discounts

The underwriters initially propose to offer the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at a price that represents a concession not in excess of $0.44 per share below the public offering price. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters.

The following table provides information regarding the per share and total underwriting discount that we are to pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to 375,000 additional shares from us.

	Per Share	Total without Exercise of Over-allotment	Total with Full Exercise of Over-allotment
Underwriting discount payable by us on shares sold to the public	$ 0.7375	$ 1,843,750	$ 2,120,313

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

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

Price Stabilization, Short Positions and Penalty Bids

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

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

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

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

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

Passive Market Making Pursuant to Regulation M

In connection with this transaction, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq Global Select Market, prior to the pricing and completion of this offering. Passive market making is permitted by SEC Regulation M and consists of displaying bids on the Nasdaq Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than these independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in our common stock during a specified period and must be discontinued when such

Table of Contents

limit is reached. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of such transactions.

Conflicts of Interest

Affiliates of BB&T Capital Markets, an underwriter in this offering, act as lenders and/or agents under our $30 million investment credit facility. As described above under Use of Proceeds, we intend to use net proceeds of this offering to repay the outstanding indebtedness under this credit facility and those affiliates therefore may receive a portion of the proceeds from this offering through the repayment of those borrowings.

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

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

The addresses of the underwriters are: Morgan Keegan & Company, Inc., 50 N. Front St., 19th Floor, Memphis, Tennessee 38103; BB&T Capital Markets, 909 E. Main Street, Richmond, Virginia 23219; Ladenburg Thalmann & Co. Inc., 520 Madison Avenue, 9th Floor, New York, New York 10022; Janney Montgomery Scott LLC, 1801 Market Street, Philadelphia, Pennsylvania 19103; and Madison Williams and Company LLC, 527 Madison Ave, New York, New York 10022.

Table of Contents

LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements, the effectiveness of internal control over financial reporting and Schedule 12-14 of Main Street Capital Corporation as of December 31, 2008 and December 31, 2007 and for the two years then ended, the combined financial statements of Main Street Mezzanine Fund, LP and Main Street Mezzanine Management, LLC as of December 31, 2006 and for the year then ended, the Senior Securities table, and the combined financial statements of Main Street Capital II, LP and Main Street Capital II GP, LLC as of December 31, 2008 and December 31, 2007 and for the two years then ended included in this prospectus supplement and the accompanying prospectus have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in giving said reports.

AVAILABLE INFORMATION

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

We file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC s website at *www.sec.gov* . 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.

Table of Contents

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

The following discussion should be read in conjunction with Interim Financial Statements in this prospectus supplement.

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

ORGANIZATION

Main Street Capital Corporation (MSCC) was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP (the Fund) and its general partner, Main Street Mezzanine Management, LLC (the General Partner), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the Investment Manager), (iii) raising capital in an initial public offering, which was completed in October 2007 (the IPO), and (iv) thereafter operating as an internally managed business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). The transactions discussed above were consummated in October 2007 and are collectively termed the Formation Transactions. Immediately following the Formation Transactions, Main Street Equity Interests, Inc. (MSEI) was formed as a wholly owned consolidated subsidiary of MSCC. MSEI has elected for tax purposes to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income. Unless otherwise noted or the context otherwise indicates, the terms we, us, our and Ma Street refer to MSCC and its subsidiaries, including the Fund, the General Partner and MSEI.

OVERVIEW

We are a principal investment firm focused on providing customized debt and equity financing to lower middle-market companies, which we generally define as companies with annual revenues between $10 million and $100 million that operate in diverse industries. We invest primarily in secured debt instruments, equity investments, warrants and other securities of lower middle-market companies based in the United States. Our principal investment objective is to maximize our portfolio s total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our core portfolio investments generally range in size from $2 million to $15 million.

Our investments are generally made through both MSCC and the Fund. Since the IPO, MSCC and the Fund have co-invested in substantially every investment we have made. MSCC and the Fund share the same investment strategies and criteria in the lower middle-market, although they are subject to different regulatory regimes. An investor s return in MSCC will depend, in part, on the Fund s investment returns as the Fund is a wholly owned subsidiary of MSCC.

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

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

During 2008, we paid approximately $1.425 per share in dividends. Through the first nine months of 2009, we paid monthly dividends totaling $1.125 per share. In September 2009, we declared monthly dividends for the fourth quarter of 2009 totaling $0.375 per share. Including the dividends declared for the fourth quarter of 2009, we will have paid approximately $3.26 per share in cumulative dividends since our October 2007 initial public offering. For tax purposes, the monthly dividend paid in January 2009 was applied against the 2008 taxable income distribution requirements since it was declared and accrued prior to December 31, 2008. Excluding the impact for the tax treatment of the January 2009 dividend, we estimate that we generated undistributed taxable income (or spillover income) of approximately $4 million, or $0.43 per share, during 2008 that was carried forward toward distributions paid in 2009. For the 2009 calendar year, we will have paid dividends of $1.50 per share representing an increase of 5.3% over the total dividends per share paid during calendar year 2008.

During June 2009, Main Street completed a follow-on public stock offering consisting of the sale of 1,437,500 shares of common stock, including the underwriters exercise of the over-allotment option, resulting in total net proceeds of approximately $16.2 million, after deducting underwriters commissions and offering costs.

At September 30, 2009, we had $48.1 million in cash and cash equivalents, marketable securities, and idle funds investments. During October 2008, we closed a $30 million multi-year investment line of credit. Due to our existing cash, cash equivalents, marketable securities and idle fund investments, and available leverage, we expect to have sufficient cash resources to support our investment and operational activities for the remainder of 2009 and through most of calendar year 2010. However, this projection will be impacted by, among other things, the pace of new and follow-on investments, debt repayments and investment redemptions, the level of cash flow from operations and cash flow from realized gains, and the level of dividends we pay in cash.

The American Recovery and Reinvestment Act of 2009 enacted in February 2009 (the Stimulus Bill) contains several provisions applicable to SBIC funds, including the Fund, our wholly owned subsidiary. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately $137 million, as adjusted annually based upon changes in the Consumer Price Index. Due to the increase in the maximum amount of SBIC leverage available to affiliated SBIC funds, we now have access to incremental SBIC leverage to support our future investment activities. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, we will allocate such increased borrowing capacity between the Fund and Main Street Capital II, LP (MSC II), an independently owned SBIC that is managed by the Investment Manager and therefore deemed to be affiliated for SBIC regulatory purposes. For more discussion of MSC II, please refer below to the section titled MSC II Exchange Offer . Exclusive of the SBIC leverage available to MSC II, we estimate that we have access to at least $65 million of the additional SBIC leverage from the Stimulus Bill subject to the required capitalization of the Fund.

In our view, the SBIC leverage, including the increased capacity, remains a strategic advantage due to its long-term, flexible structure and a low fixed cost. The SBIC leverage also provides proper matching of duration and cost compared with our core portfolio investments. The weighted average duration of our core portfolio debt investments is approximately 3.1 years compared to a weighted average duration of 5.7 years for our SBIC leverage. Approximately 87% of core portfolio debt investments bear interest at fixed rates which is also appropriately matched by the long-term, low cost fixed rates available through our SBIC leverage. In addition, we believe the embedded value of our SBIC leverage would be significant if we adopted the fair value option provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 825, *Financial Instruments*, relating to accounting for debt obligations at their fair value.

MSC II Exchange Offer

On September 23, 2009, we commenced a formal offer to exchange (the Offer) shares of our common stock for at least a majority of the limited partner interests in MSC II. MSC II is an independently owned investment fund that operates as an SBIC and commenced operations in January 2006. MSC II has access to long-term, low-cost leverage through its participation in the SBIC program and is managed by the Investment Manager. The Offer is only being made for MSC II limited partner interests that are not owned by affiliates of Main Street, including any officers or directors of Main Street. Pursuant to the terms of the Offer, it is contemplated that the general partner of MSC II will also be assumed by us for no consideration. The Offer is subject to various conditions and approvals, including but not limited to approval by the U.S. Small Business Administration (SBA). The initial offer period expired on October 23, 2009 and approximately 78% of the total dollar value of the MSC II limited partner interests had made an election to participate in the Offer during the initial offer period. Since the required approval from SBA had not been received at the end of the initial offer period and certain other conditions had not been satisfied, the Offer was extended for an additional 30-day period to end on November 23, 2009. The maximum number of shares of Main Street common stock that may be issued pursuant to the Offer would total approximately 1.3 million shares. Owning a majority of MSC II will provide us with access to additional long-term leverage capacity through the SBIC program, and we currently project that consummation of the Offer will be accretive to our calendar year 2010 distributable net investment income per share.

CRITICAL ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). For the three and nine months ended September 30, 2009 and 2008, the consolidated financial statements of Main Street include the accounts of MSCC, the Fund, MSEI and the General Partner. The Investment Manager is accounted for as a portfolio investment. Marketable securities and idle funds investments are classified as financial instruments and are reported separately on our Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments. To allow for more relevant disclosure of our core investment portfolio, core portfolio investments, as used herein, refers to all of our portfolio investments excluding the Investment Manager and Marketable securities and idle funds investments. Main Street s results of operations for the three and nine months ended September 30, 2009 and 2008, and cash flows for the nine months ended September 30, 2009 and 2008, and financial positions as of September 30, 2009 and December 31, 2008 are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its 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 of 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 our 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.

Table of Contents

The results of operations for the three and nine months ended September 30, 2009 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 our audited financial statements and notes thereto for the year ended December 31, 2008. 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 the investment company rules and regulations pursuant to Article 6 of Regulation S-X and the Audit and Accounting Guide for Investment Companies issued by the American Institute of Certified Public Accountants (the AICPA Guide), we are precluded from consolidating portfolio company investments, including those in which we have a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in the AICPA Guide occurs if we own a controlled operating company that provides all or substantially all of its services directly to us, or to an investment company of ours. None of the investments made by us qualify for this exception. Therefore, our portfolio investments are carried on the balance sheet at fair value, as discussed further in Note B to our consolidated financial statements, with any adjustments to fair value recognized as Net Change in Unrealized Appreciation (Depreciation) from Investments on our Statement of Operations until the investment is disposed of, resulting in any gain or loss on exit being recognized as a Net Realized Gain (Loss) from Investments.

Portfolio Investment Valuation

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of our portfolio investments and the related amounts of unrealized appreciation and depreciation. As of September 30, 2009 and December 31, 2008, approximately 73% and 74%, respectively, of our total assets represented investments in portfolio companies valued at fair value (including the investment in the Investment Manager). We are required to report our investments at fair value. We adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

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

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

Table of Contents

investment if we were to sell, or exit, the investment, assuming the highest and best use of the investment by market participants. In addition, these valuation approaches consider the value associated with our ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

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

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

Revenue Recognition

Interest and Dividend Income

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

Fee Income

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

S-21

Table of Contents

Payment-in-Kind (PIK) Interest

While not significant to our total core debt investment portfolio, we currently hold several loans in our core portfolio that contain PIK interest provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain regulated investment company (RIC) tax treatment (as discussed below), this non-cash source of income will need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest in cash. We will stop accruing PIK interest and write off any accrued and uncollected interest when it is determined that PIK interest is no longer collectible.

Share-Based Compensation

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

Income Taxes

MSCC has elected and intends to qualify for the tax treatment applicable to a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code), and, among other things, intends to make the required distributions to our stockholders as specified therein. As a RIC, we generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

MSCC s wholly owned subsidiary, MSEI, is a taxable entity which holds certain of our core portfolio investments. MSEI is consolidated for U.S. GAAP reporting purposes, and the core portfolio investments held by MSEI are included in our consolidated financial statements. The principal purpose of MSEI is to permit us to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to comply with the source income requirements contained in the RIC tax provisions. MSEI is not consolidated with Main Street for income tax purposes and may generate income tax expense or income tax benefit as a result of MSEI s ownership of certain core portfolio investments. This income tax expense or benefit, if any, is reflected in our consolidated statement of operations.

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

CORE PORTFOLIO COMPOSITION

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

The Investment Manager is a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment of Main Street, since it conducts a significant portion of its investment management activities outside of MSCC and its subsidiaries. To allow for more relevant disclosure of our core investment portfolio, our investment in the Investment Manager has been excluded from the tables and amounts set forth below.

Table of Contents

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

Cost:	September 30, 2009	December 31, 2008
First lien debt	73.8%	76.2%
Equity	13.7%	11.0%
Second lien debt	6.8%	7.4%
Equity warrants	5.7%	5.4%
	100.0%	100.0%

Fair Value:	September 30, 2009	December 31, 2008
First lien debt	61.0%	67.0%
Equity	19.8%	15.7%
Equity warrants	12.7%	10.2%
Second lien debt	6.5%	7.1%
	100.0%	100.0%

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

Cost:	September 30, 2009	December 31, 2008
Southwest	49.7%	50.2%
West	30.9%	36.3%
Southeast	7.7%	5.1%
Midwest	6.8%	4.7%
Northeast	4.9%	3.7%
	100.0%	100.0%

Fair Value:	September 30, 2009	December 31, 2008
Southwest	56.4%	56.0%

West	27.5%	31.1%
Midwest	6.5%	5.1%
Northeast	5.5%	3.7%
Southeast	4.1%	4.1%
	100.0%	100.0%

Table of Contents

Main Street s core portfolio investments are generally in lower middle-market companies conducting business in a variety of industries. Set forth below are tables showing the composition of Main Street s core portfolio by industry at cost and fair value as of September 30, 2009 and December 31, 2008:

Cost:	**September 30, 2009**	**December 31, 2008**
Industrial equipment	10.7%	12.0%
Professional services	9.9%	4.1%
Precast concrete manufacturing	9.6%	11.3%
Custom wood products	8.6%	9.3%
Electronics manufacturing	6.8%	7.6%
Retail	6.7%	6.5%
Transportation/Logistics	6.5%	6.6%
Agricultural services	6.3%	8.3%
Restaurant	5.5%	6.1%
Industrial services	4.7%	0.5%
Mining and minerals	4.3%	4.8%
Manufacturing	4.0%	4.7%
Health care products	3.9%	5.8%
Health care services	3.8%	4.2%
Metal fabrication	2.5%	3.4%
Equipment rental	2.2%	2.1%
Governmental services	1.6%	0.0%
Infrastructure products	1.5%	1.7%
Information services	0.8%	0.9%
Distribution	0.1%	0.1%
	100.0%	100.0%

Table of Contents

Fair Value:	September 30, 2009	December 31, 2008
Precast concrete manufacturing	11.8%	13.7%
Professional services	10.3%	5.4%
Health care services	8.1%	6.1%
Agricultural services	8.0%	8.1%
Industrial services	6.8%	2.8%
Transportation/Logistics	6.7%	6.5%
Retail	6.6%	7.0%
Electronics manufacturing	6.4%	7.7%
Restaurant	6.3%	6.7%
Industrial equipment	6.1%	10.2%
Custom wood products	5.3%	6.8%
Metal fabrication	4.7%	4.3%
Health care products	3.9%	5.8%
Manufacturing	3.8%	5.1%
Equipment rental	2.2%	2.0%
Governmental services	1.8%	0.0%
Information services	0.6%	0.9%
Infrastructure products	0.3%	0.5%
Distribution	0.3%	0.4%
	100.0%	100.0%

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

CORE PORTFOLIO ASSET QUALITY

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

Table of Contents

The following table shows the distribution of our core investments on our 1 to 5 investment rating scale at fair value as of September 30, 2009 and December 31, 2008:

Investment Rating	September 30, 2009 Investments at Fair Value	September 30, 2009 Percentage of Total Portfolio	December 31, 2008 Investments at Fair Value	December 31, 2008 Percentage of Total Portfolio
	(Dollars in thousands)			
1	$ 14,060	11.4%	$ 27,523	24.9%
2	56,420	45.7%	23,150	21.0%
3	42,009	34.0%	53,123	48.1%
4	9,753	7.9%	6,035	5.5%
5	1,217	1.0%	500	0.5%
Totals	$ 123,459	100.0%	$ 110,331	100.0%

Based upon our investment rating system, the weighted average rating of our core portfolio as of September 30, 2009 and December 31, 2008, was approximately 2.4. As of September 30, 2009, we had three investments on non-accrual status. These investments comprised approximately 2.6% of the core investment portfolio at fair value as of September 30, 2009. As of December 31, 2008, we had one investment on non-accrual status. This investment comprised approximately 0.5% of the core investment portfolio at fair value as of December 31, 2008.

In the event that the United States economy remains depressed, 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, the end markets for certain of our portfolio companies products and services have experienced negative economic trends. We are seeing reduced operating results at several portfolio companies due to the general economic difficulties. We expect the trend of reduced operating results to continue into early 2010. Consequently, we can provide no assurance that the performance of certain of our portfolio companies will not be negatively impacted by these economic or other conditions, which could also have a negative impact on our future results.

Discussion and Analysis of Results of Operations

Comparison of three months ended September 30, 2009 and 2008

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Net Change Amount	Net Change %
	(Unaudited) (Dollars in millions)			
Total investment income	$ 4.5	$ 4.4	$ 0.1	1%
Total expenses	(1.9)	(1.9)		(3)%

Net investment income	2.6	2.5	0.1	4%
Total net realized gain from investments	0.2	4.3	(4.1)	(96)%
Net realized income	2.8	6.8	(4.0)	(59)%
Net change in unrealized appreciation (depreciation) from investments	2.9	(4.1)	7.0	NM
Income tax benefit (provision)	1.3		1.3	NM
Net increase in net assets resulting from operations	$ 7.0	$ 2.7	$ 4.3	163%

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Net Change Amount	Net Change %
	(Unaudited) (Dollars in millions)			
Net investment income	$ 2.6	$ 2.5	$ 0.1	4%
Share-based compensation expense	0.4	0.3	0.1	19%
Distributable net investment income(a)	3.0	2.8	0.2	5%
Total net realized gain from investments	0.2	4.3	(4.1)	(96)%
Distributable net realized income(a)	$ 3.2	$ 7.1	$ (3.9)	(56)%
Distributable net investment income per share Basic and diluted	$ 0.28	$ 0.31	$ (0.03)	(9)%
Distributable net realized income per share Basic and diluted	$ 0.30	$ 0.78	$ (0.48)	(62)%

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

Investment Income

For the three months ended September 30, 2009, total investment income was $4.5 million, representing a 1% increase compared with the corresponding period of 2008. Total investment income for the third quarter of 2009 included higher interest income from marketable securities and idle funds investments, primarily offset by reduced levels of fee income. During the third quarter of 2009, Main Street received a $0.9 million special dividend on a portfolio company investment compared to approximately $1.0 million of dividend income in the corresponding period of 2008 on several portfolio company equity investments.

Expenses

For the three months ended September 30, 2009, expenses totaled $1.9 million, a 3% decrease over total expenses for the three months ended September 30, 2008. The decrease in total expenses was primarily attributable to a $0.1 million decrease in general, administrative and other overhead expenses, offset by a $0.1 million increase in share-based compensation expense related to non-cash amortization for restricted share grants. The reduction in general, administrative and overhead costs primarily related to (i) external consulting fees received by the affiliated Investment Manager during the third quarter of 2009 and (ii) reduced costs for certain legal and administrative activities based upon developing internal resources to perform such activities.

Distributable Net Investment Income

Distributable net investment income for the three months ended September 30, 2009 was $3.0 million, or a 5% increase, compared to distributable net investment income of $2.8 million during the three months ended September 30, 2008. The increase in distributable net investment income was primarily attributable to a higher level of investment income and lower general, administrative and overhead expenses. Distributable net investment income on a per share basis decreased to $0.28 per share in the third quarter of 2009 compared to $0.31 per share in the corresponding period of 2008 due to a greater number of average shares outstanding in the current period.

Net Investment Income

Net investment income for the three months ended September 30, 2009 was $2.6 million, or a 4% increase compared to net investment income for the corresponding period of 2008. The increase in net investment income was principally attributable to a higher level of total investment income and lower general, administrative and overhead expenses as discussed above.

Distributable Net Realized Income

For the three months ended September 30, 2009, distributable net realized income was $3.2 million, or a 56% decrease over the distributable net realized income of $7.1 million during the three months ended September 30, 2008. This comparable period decrease was primarily attributable to a higher level of third quarter 2008 net realized gain related to the exit of several portfolio company investments. The net realized gain for the three months ended September 30, 2009 principally related to $0.2 million in realized gain from marketable securities investments.

Net Realized Income

The lower net realized gain during the three months ended September 30, 2009 resulted in a $4.0 million, or 59%, decrease in net realized income for the third quarter of 2009 compared with the corresponding period in 2008.

Net Increase in Net Assets from Operations

During the three months ended September 30, 2009, we recorded a net change in unrealized appreciation in the amount of $2.9 million, or a $7.0 million increase, compared to the $4.1 million net change in unrealized depreciation for the three months ended September 30, 2008. The $2.9 million net change in unrealized appreciation for the three months ended September 30, 2009 was principally attributable to (i) unrealized appreciation on eleven investments in portfolio companies totaling $5.6 million, partially offset by unrealized depreciation on eight investments in portfolio companies totaling $2.7 million, (ii) unrealized appreciation of $0.4 million from marketable securities investments and (ii) $0.4 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. For the third quarter of 2009, we also recognized a net income tax benefit of $1.3 million principally related to deferred taxes on unrealized depreciation on certain portfolio investments held in our taxable subsidiary.

As a result of these events, our net increase in net assets resulting from operations during the three months ended September 30, 2009 was $7.0 million compared to a net increase in net assets resulting from operations of $2.7 million for the three months ended September 30, 2008.

Table of Contents

Comparison of Nine months ended September 30, 2009 and 2008

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Net Change Amount	Net Change %
	(Unaudited) (Dollars in millions)			
Total investment income	$ 11.7	$ 12.6	$ (0.9)	(8)%
Total expenses	(5.0)	(5.0)		(1)%
Net investment income	6.7	7.6	(0.9)	(12)%
Total net realized gain from investments	1.5	5.0	(3.5)	(71)%
Net realized income	8.2	12.6	(4.4)	(35)%
Net change in unrealized appreciation (depreciation) from investments	1.3	(4.6)	5.9	NM
Income tax benefit (provision)	0.8	2.3	(1.5)	(66)%
Net increase in net assets resulting from operations	$ 10.3	$ 10.3	$	(1)%

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Net Change Amount	Net Change %
	(Unaudited) (Dollars in millions)			
Net investment income	$ 6.7	$ 7.6	$ (0.9)	(12)%
Share-based compensation expense	0.8	0.3	0.5	143%
Distributable net investment income(a)	7.5	7.9	(0.4)	(6)%
Total net realized gain from investments	1.5	5.0	(3.5)	(71)%
Distributable net realized income(a)	$ 9.0	$ 12.9	$ (3.9)	(31)%
Distributable net investment income per share Basic and diluted	$ 0.77	$ 0.88	$ (0.11)	(13)%
Distributable net realized income per share Basic and diluted	$ 0.92	$ 1.43	$ (0.51)	(35)%

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

Investment Income

For the nine months ended September 30, 2009, total investment income was $11.7 million, a $0.9 million, or 8%, decrease over the $12.6 million of total investment income for the nine months ended September 30, 2008. This comparable period decrease was principally attributable to (i) lower dividend income of $0.7 million due to certain portfolio companies retaining their excess cash flow as additional cushion given reduced economic visibility and lower near-term earnings expectations and (ii) reduced levels of fee income due to lower new investment originations; partially offset by higher interest income from marketable securities and idle funds investments on higher average levels of such investments.

Expenses

For the nine months ended September 30, 2009, expenses totaled $5.0 million, a 1% decrease, over the $5.0 million of total expenses for the nine months ended September 30, 2008. The decrease in total expenses was primarily attributable to a $0.6 million reduction in general, administrative and other overhead expenses. The reduction in general, administrative and overhead costs primarily related to (i) lower accrued compensation expense given lower investment income levels, (ii) consulting fees received by the affiliated Investment Manager during the first nine months of 2009 and (iii) reduced costs for certain legal and administrative activities based upon developing internal resources to perform such activities. The decrease in general, administrative and other overhead expenses was partially offset by (i) a $0.5 million increase in share-based compensation expense related to non-cash amortization for restricted share grants, and (ii) a $0.1 million increase in interest expense principally related to unused commitment and other fees from the $30 million investment credit facility entered into on October 24, 2008.

Distributable Net Investment Income

Distributable net investment income for the nine months ended September 30, 2009 was $7.5 million, or a 6% decrease, compared to distributable net investment income of $7.9 million during the nine months ended September 30, 2008. The decrease in distributable net investment income was primarily attributable to reduced levels of total investment income, partially offset by lower general, administrative and overhead expenses as discussed above.

Net Investment Income

Net investment income for the nine months ended September 30, 2009 was $6.7 million, or a 12% decrease, compared to net investment income of $7.6 million during the nine months ended September 30, 2008. The decrease in net investment income was principally attributable to the decrease in total investment income, partially offset by lower general, administrative and overhead expenses as discussed above.

Distributable Net Realized Income

For the nine months ended September 30, 2009, distributable net realized income was $9.0 million, or a 31% decrease, compared to distributable net realized income of $12.9 million for the nine months ended September 30, 2008. The decrease in distributable net realized income was primarily attributable to a higher level of net realized gain related to the exit of several portfolio company investments and the decrease in distributable net investment income. For the nine months ended September 30, 2009, the net realized gain from investments was $1.5 million compared to net realized gain of $5.0 million for the corresponding period in 2008. The net realized gain during the nine months ended September 30, 2009 principally included a $0.7 million realized gain related to the partial exit of our equity investments in one portfolio company and $0.6 million in net realized gains related to marketable securities investments.

Net Realized Income

The lower net investment income and the lower net realized gain for the nine months ended September 30, 2009, resulted in a $4.4 million, or 35%, decrease in the net realized income for the nine months ended September 30, 2009 compared with the corresponding period in 2008.

Net Increase in Net Assets from Operations

During the nine months ended September 30, 2009, we recorded a net change in unrealized appreciation in the amount of $1.3 million, or a $5.9 million increase, compared to the $4.6 million net change in

Table of Contents

unrealized depreciation for the nine months ended September 30, 2008. The $1.3 million net change in unrealized appreciation for the first nine months of 2009 was principally attributable to (i) $1.0 million in accounting reversals of net unrealized appreciation attributable to the total net realized gain on the exit of the portfolio equity investments and marketable securities investments discussed above, (ii) unrealized appreciation on thirteen investments in portfolio companies totaling $9.9 million, partially offset by unrealized depreciation on thirteen investments in portfolio companies totaling $7.6 million, (iii) $0.3 million in unrealized appreciation related to marketable securities investments and (iv) $0.3 million in unrealized depreciation attributable to our investment in the affiliated Investment Manager. For the first nine months of 2009, we also recognized a net income tax benefit of $0.8 million principally related to deferred taxes on unrealized depreciation on certain portfolio investments held in our taxable subsidiary.

As a result of these events, our net increase in net assets resulting from operations during the nine months ended September 30, 2009 was $10.3 million compared to a net increase in net assets resulting from operations of $10.3 million for the nine months ended September 30, 2008.

Liquidity and Capital Resources

Cash Flows

For the nine months ended September 30, 2009, we experienced a net decrease in cash and cash equivalents in the amount of $27.2 million. During that period, we generated $4.6 million of cash from our operating activities, primarily from distributable net investment income partially offset by (i) the semi-annual interest payments on our SBIC debentures, (ii) decreases in accounts payable, and (iii) non-cash interest and dividends. We used $37.8 million in net cash from investing activities, principally including the funding of $72.9 million for marketable securities and idle funds investments and the funding of $16.5 million for new core portfolio company investments, partially offset by $44.0 million of cash proceeds from the sale of marketable securities and idle funds investments and $7.6 million in cash proceeds from the repayment of core portfolio debt investments. During the first nine months of 2009, $6.1 million in cash was provided by financing activities, which principally consisted of $16.2 million in net cash proceeds from a public stock offering, partially offset by $8.5 million in cash dividends to stockholders and $1.6 million in purchases of shares of our common stock as part of our share repurchase program.

For the nine months ended September 30, 2008, we experienced a net increase in cash and cash equivalents in the amount of $5.0 million. During that period, we generated $7.1 million of cash from our operating activities, primarily from distributable net investment income partially offset by the semi-annual interest payments on our SBIC debentures. We also generated $7.7 million in net cash from investing activities, principally including proceeds from the maturity of a $24.1 million investment in idle funds investments, $10.7 million in cash proceeds from repayment of core portfolio debt investments and $7.4 million of cash proceeds from the redemption and sale of core portfolio equity investments, partially offset by the funding of new core portfolio investments and several smaller follow-on investments totaling $34.5 million. For the nine months ended September 30, 2008, we used $9.8 million in cash for financing activities, which principally consisted of cash dividends to stockholders.

Capital Resources

As of September 30, 2009, we had $48.1 million in cash and cash equivalents, marketable securities, and idle funds investments, and our net assets totaled $129.1 million, or $12.01 per share. In June 2009, we completed a follow-on public stock offering in which we sold 1,437,500 shares of common stock, including the underwriters exercise of the over-allotment option, at a price to the public of $12.10 per share, resulting in total net proceeds of approximately $16.2 million, after deducting underwriters commissions and offering costs.

On October 24, 2008, Main Street entered into a $30 million, three-year investment credit facility (the Investment Facility) with Branch Banking and Trust Company (BB&T) and Compass Bank, as lenders, and BB&T, as administrative agent for the lenders. The purpose of the Investment Facility is to provide additional liquidity in support of future investment and operational activities. The Investment Facility allows for an increase in the total size of the facility up to $75 million, subject to certain conditions, and has a maturity date of October 24, 2011. Borrowings under the Investment Facility bear interest, subject to Main Street s election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate plus 0.75%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Investment Facility. The Investment Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum liquidity of not less than 10% of the aggregate principal amount outstanding, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, and (iii) maintaining a minimum tangible net worth. At September 30, 2009, Main Street had no borrowings outstanding under the Investment Facility, and Main Street was in compliance with all covenants of the Investment Facility.

Due to the Fund s status as a licensed SBIC, we have the ability to issue, through the Fund, debentures guaranteed by the SBA at favorable interest rates. Under the regulations applicable to SBIC funds, an SBIC can have outstanding debentures guaranteed by the SBA generally in an amount up to twice its regulatory capital, which effectively approximate the amount of its equity capital. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity but may be pre-paid at any time. Debentures issued prior to September 2006 were subject to pre-payment penalties during their first five years. Those pre-payment penalties no longer apply to debentures issued after September 1, 2006. On September 30, 2009, we, through the Fund, had $55 million of outstanding indebtedness guaranteed by the SBA, which carried an average fixed interest rate of approximately 5.8%. The first maturity related to the SBIC debentures does not occur until 2013, and the weighted average duration is 5.7 years as of September 30, 2009.

The Stimulus Bill contains several provisions applicable to SBIC funds, including the Fund, our wholly owned subsidiary. One of the key SBIC-related provisions included in the Stimulus Bill increased the maximum amount of combined SBIC leverage (or SBIC leverage cap) to $225 million for affiliated SBIC funds. The prior maximum amount of SBIC leverage available to affiliated SBIC funds was approximately $137 million, as adjusted annually based upon changes in the Consumer Price Index. Due to the increase in the maximum amount of SBIC leverage available to affiliated SBIC funds, we now have access to incremental SBIC leverage to support our future investment activities. Since the increase in the SBIC leverage cap applies to affiliated SBIC funds, we will allocate such increased borrowing capacity between the Fund and MSC II, an independently owned SBIC that is managed by the Investment Manager and therefore deemed to be affiliated for SBIC regulatory purposes. For more discussion of MSC II, please refer above to the section titled MSC II Exchange Offer . Exclusive of the SBIC leverage available to MSC II, we estimate that we have access to at least $65 million of the additional SBIC leverage from the Stimulus Bill subject to the required capitalization of the Fund.

Due to our existing cash and cash equivalents, marketable securities, and idle funds investments and the available borrowing capacity through both the SBIC program and the Investment Facility, we project that we will have sufficient liquidity to fund our investment and operational activities for the remainder of 2009 and through most of calendar year 2010. However, this projection will be impacted by, among other things, the pace of new and follow-on investments, debt repayments and investment redemptions, the level of cash flow from operations and cash flow from realized gains, and the level of dividends we pay in cash. We anticipate that we will continue to fund our investment activities through existing cash and cash equivalents, the liquidation of marketable securities, and idle funds investments, and a combination of future debt and equity capital.

We intend to generate additional cash from future offerings of securities, future borrowings, repayments or sales of investments, and cash flow from operations, including income earned from investments in our portfolio companies and, to a lesser extent, from the liquidation of marketable securities and idle funds investments. Our primary uses of funds will be investments in portfolio companies, operating expenses and cash distributions to holders of our common stock.

We periodically invest excess cash balances into marketable securities and idle funds investments. The investment objective of marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our core portfolio investment strategy. Marketable securities and idle funds investments generally consist of secured debt investments, certificates of deposit with financial institutions, and diversified bond funds. The composition of marketable securities and idle funds investments will vary in a given period based upon, among other things, changes in market conditions, the underlying fundamentals in our marketable securities and idle funds investments, our outlook regarding future core portfolio investment needs, and any regulatory requirements applicable to Main Street.

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. A proposal, approved by our stockholders at our June 2009 annual meeting of stockholders, authorizes us to sell shares of our common stock below the then current net asset value per share of our common stock in one or more offerings for a period of one year ending on the earlier of June 11, 2010 or the date of our 2010 annual meeting of stockholders. We would need approval of a similar proposal by our stockholders to issue shares below the then current net asset value per share any time after the expiration of the current approval.

In order to satisfy the Code requirements applicable to a RIC, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spillover certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. In January 2008, we received exemptive relief from the SEC that permits us to exclude SBA-guaranteed debt issued by the Fund from our asset coverage ratio, which, in turn, enables us to fund more investments with debt capital. Subsequent to consummation of the exchange offer for a majority of the limited partner interests in MSC II, we expect to seek similar relief to exclude SBA-guaranteed debt issued by MSC II from our asset coverage ratio.

On December 31, 2007, we entered into a treasury-based credit facility (the Treasury Facility) with Wachovia Bank, National Association and BB&T, as administrative agent for the lenders. The purpose of the Treasury Facility was to provide flexibility in the sizing of core portfolio investments and to facilitate the growth of our core investment portfolio. However, due to the maturation of our core investment portfolio and the additional flexibility provided by the Investment Facility, we unilaterally terminated the Treasury Facility on July 10, 2009 in order to eliminate the unused commitment fees that would have been paid under this facility over its remaining term.

Current Market Conditions

The broader economic fundamentals of the United States economy remain at depressed levels. Unemployment levels remain elevated and consumer fundamentals remain depressed, which has led to significant reductions in spending by both consumers and businesses.

Although we have been able to secure access to additional liquidity, including our recent public stock offering, the $30 million Investment Facility, and the increase in available leverage through the SBIC program as part of the Stimulus Bill, there is no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all.

The deterioration in consumer confidence and a general reduction in spending by both consumers and businesses has had an adverse effect on a number of the industries in which some of our portfolio companies operate. The results of some of the lower middle-market companies like those in which we invest, may continue to experience deterioration, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in their defaults. In addition, the end markets for certain of our portfolio companies products and services have experienced negative economic trends. We can provide no assurance that the performance of our portfolio companies will not be negatively impacted by economic or other conditions, which could have a negative impact on our future results.

Table of Contents

Recently Issued Accounting Standards

In June 2008, the FASB amended ASC 260, *Earnings Per Share* with ASC 260-10-45-61A which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS). ASC 260-10-45-61A is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented has been adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform to the amended provisions of ASC 260. Early application is not permitted. We have determined that shares of restricted stock granted to our employees and directors are participating securities prior to vesting. For the nine months ended September 30, 2009 and 2008, 292,058 and 255,645 shares, respectively, of non-vested restricted stock have been included in our basic and diluted EPS computations.

In October 2008, the FASB amended ASC 820 with ASC 820-10-35-15A, *Financial Assets in a Market That Is Not Active* , to provide an illustrative example of how to determine the fair value of a financial asset in an inactive market. ASC 820-10-35-15A does not change the fair value measurement principles previously set forth. Since adopting ASC 820 in January 2008, our practices for determining the fair value of our investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in ASC 820-10-35-15A. Therefore, our adoption of the update did not affect our practices for determining the fair value of our investment portfolio and financial instruments, and our adoption did not have a material effect on our financial position or results of operations.

In April 2009, the FASB amended ASC 820 and ASC 825 with ASC 820-10-35, *Subsequent Measurement,* and ASC 825-10-65, *Transition and Open Effective Date Information.* Both amendments are effective for reporting periods ending on or after June 15, 2009. Since adopting ASC 820 and ASC 825 in January 2008, our practices for determining fair value and for disclosures about the fair value of our investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in the amended pronouncements. Therefore, our adoption of these updates did not affect our practices for determining the fair value of our investment portfolio and financial instruments, and our adoption did not have a material effect on our financial position or results of operations.

In May 2009, the FASB amended ASC 855, Subsequent *Events* with ASC 855-10-50, *Disclosure* , which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10-50 includes a new required disclosure of the date through which an entity has evaluated subsequent events and is effective for interim periods or fiscal years ending after June 15, 2009. Our adoption of ASC 855-10-50 did not have a material effect on our financial position or results of operations.

In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles* , which became the single official source of authoritative, nongovernmental U.S. GAAP, other than rules and interpretive releases issued by the Securities and Exchange Commission. The Codification reorganized the literature and changed the naming mechanism by which topics are referenced. ASC 105 was effective for us during our interim period ended September 30, 2009. As required, references to pre-codification accounting literature have been changed throughout this prospectus supplement to appropriately reference the Codification. Our accounting policies and amounts presented in the financial statements were not impacted by this change.

Inflation

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

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 involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At September 30, 2009, we had two outstanding commitments to fund unused revolving loans for up to $900,000 in total.

Contractual Obligations

As of September 30, 2009, our future fixed commitments for cash payments on contractual obligations for each of the next five years and thereafter are as follows:

	Total	2010	2011	2012	2013	2014	2015 and thereafter
SBIC debentures payable	$ 55,000	$	$	$	$ 4,000	$ 18,000	$ 33,000
Interest due on SBIC debentures	18,316	3,179	3,179	3,188	3,179	2,873	2,718
Total	$ 73,316	$ 3,179	$ 3,179	$ 3,188	$ 7,179	$ 20,873	$ 35,718

MSCC is obligated to make payments under a support services agreement with the Investment Manager. Subsequent to the completion of the Formation Transactions and the IPO, the Investment Manager is reimbursed for its excess cash expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and other third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash expenses incurred by the Investment Manager, less the recurring management fees that the Investment Manager receives from MSC II pursuant to a long-term investment advisory services agreement and any other fees received from third parties for providing external services.

Related Party Transactions

We co-invested with MSC II in several existing core portfolio investments prior to the IPO, but did not co-invest with MSC II subsequent to the IPO and prior to June 2008. In June 2008, we received exemptive relief from the SEC to allow us to resume co-investing with MSC II in accordance with the terms of such exemptive relief. MSC II is managed by the Investment Manager, and the Investment Manager is wholly owned by MSCC. MSC II is an SBIC fund with similar investment objectives to Main Street and which began its investment operations in January 2006. The co-investments among Main Street and MSC II had all been made at the same time and on the same terms and conditions. The co-investments were also made in accordance with the Investment Manager s conflicts policy and in accordance with the applicable SBIC conflict of interest regulations. See Prospectus Summary Recent Developments The Exchange Offer for a discussion of the consummation of the Exchange Offer and related transactions.

As discussed further in Note D to the accompanying consolidated financials statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of Main Street. At September 30, 2009 and December 31, 2008, the Investment Manager had a receivable of $212,349 and $302,633, respectively, with MSCC related to cash expenses incurred by the Investment Manager required to support Main Street s business.

Table of Contents

INTERIM FINANCIAL STATEMENTS

MAIN STREET CAPITAL CORPORATION

Consolidated Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Investments at fair value:		
Control investments (cost: $65,050,864 and $60,767,805 as of September 30, 2009 and December 31, 2008, respectively)	$ 69,722,443	$ 65,542,608
Affiliate investments (cost: $41,746,184 and $37,946,800 as of September 30, 2009 and December 31, 2008, respectively)	44,822,099	39,412,695
Non-Control/Non-Affiliate investments (cost: $9,886,824 and $6,245,405 as of September 30, 2009 and December 31, 2008, respectively)	8,914,181	5,375,886
Investment in affiliated Investment Manager (cost: $18,000,000 as of September 30, 2009 and December 31, 2008)	16,340,706	16,675,626
Total investments (cost: $134,683,872 and $122,960,010 as of September 30, 2009 and December 31, 2008, respectively)	139,799,429	127,006,815
Marketable securities and idle funds investments (cost: $39,498,257 and $4,218,704 as of September 30, 2009 and December 31, 2008, respectively)	39,912,232	4,389,795
Cash and cash equivalents	8,216,699	35,374,826
Deferred tax asset	1,186,108	1,121,681
Other assets	1,095,078	1,100,922
Deferred financing costs (net of accumulated amortization of $982,066 and $956,037 as of September 30, 2009 and December 31, 2008, respectively)	1,420,726	1,635,238
Total assets	$ 191,630,272	$ 170,629,277
LIABILITIES		
SBIC debentures	$ 55,000,000	$ 55,000,000
Marketable securities settlement liability	5,773,480	
Interest payable	289,730	1,108,193
Dividend payable	1,343,701	726,464
Accounts payable and other liabilities	160,536	1,438,564
Total liabilities	62,567,447	58,273,221
Commitments and contingencies		
NET ASSETS		
Common stock, $0.01 par value per share (150,000,000 shares authorized; 10,749,640 and 9,206,483 issued and outstanding as of September 30, 2009 and December 31, 2008, respectively)	107,496	92,065
Additional paid-in capital	121,886,302	104,467,740

Undistributed net realized income		830,071		3,658,495
Net unrealized appreciation from investments, net of income taxes		6,238,956		4,137,756
Total net assets		129,062,825		112,356,056
Total liabilities and net assets	$	191,630,272	$	170,629,277
NET ASSET VALUE PER SHARE	$	12.01	$	12.20

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Operations
(Unaudited)

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

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

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Changes in Net Assets (Unaudited)

	Common Stock		Additional	Undistributed	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total
	Number of Shares	Par Value	Paid-In Capital	Net Realized Income		Net Assets
Balances at December 31, 2007	8,959,718	$ 89,597	$ 104,076,033	$ 6,067,131	$ 4,916,447	$ 115,149,208
Issuance of restricted stock	265,645	2,657	(2,657)			
Dividend reinvestment	15,820	158	213,570			213,728
Share-based compensation			315,726			315,726
Dividends to stockholders				(10,625,278)		(10,625,278)
Net increase resulting from operations				12,651,203	(2,286,768)	10,364,435
Balances at September 30, 2008	9,241,183	$ 92,412	$ 104,602,672	$ 8,093,056	$ 2,629,679	$ 115,417,819
Balances at December 31, 2008	9,206,483	$ 92,065	$ 104,467,740	$ 3,658,495	$ 4,137,756	$ 112,356,056
Dividend reinvestment	178,780	1,787	2,343,329			2,345,116
Public offering of common stock, net of offering costs	1,437,500	14,375	16,176,533			16,190,908
Share repurchase program	(164,544)	(1,645)	(1,615,461)			(1,617,106)
Issuance of restricted stock	107,824	1,078	(1,078)			
Share-based compensation			767,218			767,218
Common stock withheld for payroll taxes on restricted stock	(16,403)	(164)	(251,979)			(252,143)
Dividends to stockholders				(11,035,705)		(11,035,705)
Net increase resulting from operations				8,207,281	2,101,200	10,308,481
Balances at September 30, 2009	10,749,640	$ 107,496	$ 121,886,302	$ 830,071	$ 6,238,956	$ 129,062,825

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows
(Unaudited)

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

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8,216,699	$ 46,842,547

The accompanying notes are an integral part of these financial statements

S-39

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

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

			2,944,039	5,820,000
Hawthorne Customs & Dispatch Services, LLC	Transportation/ Logistics			
13% Secured Debt (Maturity January 31, 2011)		825,000	812,054	812,054
Member Units(7) (Fully diluted 44.4%)			412,500	840,000
			1,224,554	1,652,054
Hydratec Holdings, LLC	Agricultural Services			
12.5% Secured Debt (Maturity October 31, 2012)		2,995,244	2,953,861	2,953,861
Prime plus 1% Secured Debt (Maturity October 31, 2012)		350,000	337,667	337,667
Member Units (Fully diluted 85.1%)			4,100,000	6,620,000
			7,391,528	9,911,528
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,044,000	1,034,207	1,046,167
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		1,051,235	1,037,520	1,053,834
Member Units(7) (Fully diluted 24.3%)			376,000	290,000
			2,447,727	2,390,001

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
NAPCO Precast, LLC	Precast Concrete			
18% Secured Debt (Maturity February 1, 2013)	Manufacturing	5,923,077	5,832,742	5,923,076
Prime Plus 2% Secured Debt (Maturity February 1, 2013)(8)		3,384,615	3,360,369	3,384,616
Member Units(7) (Fully diluted 35.3%)			2,020,000	5,120,000
			11,213,111	14,427,692
OMi Holdings, Inc.	Manufacturer of Overhead			
12% Secured Debt (Maturity April 1, 2013)	Cranes	6,342,000	6,295,703	6,295,703
Common Stock (Fully diluted 28.8%)			900,000	390,000
			7,195,703	6,685,703
Quest Design & Production, LLC	Design and Fabrication of			
Prime plus 2% Secured Debt (Maturity June 30, 2014)	Custom Display Systems	60,000	60,000	60,000
10% Secured Debt (Maturity June 30, 2014)		600,000	465,060	600,000
0% Secured Debt (Maturity June 30, 2014)		2,060,000	2,060,000	1,460,000
Warrants (Fully diluted 40.0%)			1,595,858	
Warrants (Fully diluted 20.0%)			40,000	
			4,220,918	2,120,000
Thermal & Mechanical Equipment, LLC	Heat Exchange / Filtration	3,302,750	3,257,974	3,257,974
13% current / 5% PIK Secured Debt (Maturity September 25, 2014)	Products and Services	1,050,000	1,043,199	1,043,199
Prime plus 2% Secured Debt (Maturity September 25, 2014)(8)			600,000	600,000
Warrants (Fully diluted 30.0%)			4,901,173	4,901,173
Universal Scaffolding & Equipment, LLC	Manufacturer of Scaffolding			
Prime plus 1% Secured Debt (Maturity August 17, 2012)(8)	and Shoring Equipment	841,750	836,196	836,196
13% current / 5% PIK Secured Debt (Maturity August 17, 2012)		3,377,176	3,332,000	21,262
Member Units (Fully diluted 18.9%)			992,063	
			5,160,259	857,458
Uvalco Supply, LLC				

Member Units (Fully diluted 39.6%)	Farm and Ranch Supply		905,743	1,390,000
Ziegler s NYPD, LLC	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(8)		600,000	594,990	594,990
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		2,808,544	2,774,151	2,774,151
Warrants (Fully diluted 28.6%)			360,000	360,000
			3,729,141	3,729,141
Other			1,661,089	1,661,091
Subtotal Control Investments			65,050,864	69,722,443

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Affiliate Investments(4)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor of			
12% Secured Debt (Maturity February 5, 2012)	Wood Doors	3,066,667	2,970,656	1,940,000
Warrants (Fully diluted 12.2%)			97,808	
			3,068,464	1,940,000
American Sensor Technologies, Inc.	Manufacturer of Commercial/			
Prime plus 0.5% Secured Debt (Maturity May 31, 2010)(8)	Industrial Sensors	3,800,000	3,800,000	3,800,000
Warrants (Fully diluted 19.6%)			49,990	820,000
			3,849,990	4,620,000
Carlton Global Resources, LLC	Processor of Industrial			
13% PIK Secured Debt (Maturity November 15, 2011)	Minerals	4,791,944	4,655,836	
Member Units (Fully diluted 8.5%)			400,000	
			5,055,836	
California Healthcare Medical Billing, Inc.	Healthcare Billing and Records			
12% Secured Debt (Maturity October 17, 2013)	Management	1,410,000	1,172,593	1,275,100
Common Stock (Fully diluted 6.0%)			390,000	750,000
Warrants (Fully diluted 12.0%)			240,000	1,130,000
			1,802,593	3,155,100
Compact Power Equipment Centers, LLC	Light to Medium Duty			
12% Secured Debt (Maturity September 23, 2014)	Equipment Rental	317,647	322,261	322,261
Member Units (Fully diluted 6.9%)			688	688
			322,949	322,949
Houston Plating & Coatings, LLC	Plating & Industrial Coating Services	100,000	100,000	100,000

Prime plus 2% Secured Debt (Maturity July 19, 2011)				
Prime plus 2% Secured Debt (Maturity July 18, 2013)		200,000	200,000	200,000
Member Units(7) (Fully diluted 11.1%)			335,000	3,165,000
			635,000	3,465,000
Indianapolis Aviation Partners, LLC	FBO / Aviation Support			
12% Secured Debt (Maturity September 15, 2014)	Services	2,820,000	2,543,661	2,543,661
Warrants (Fully diluted 18.1%)			677,571	677,571
			3,221,232	3,221,232
KBK Industries, LLC	Specialty Manufacturer of			
14% Secured Debt (Maturity January 23, 2011)	Oilfield and Industrial	3,937,500	3,836,369	3,836,369
8% Secured Debt (Maturity March 1, 2010)	Products	187,500	187,500	187,500
8% Secured Debt (Maturity March 31, 2010)		450,000	450,000	450,000
Member Units(7) (Fully diluted 14.5%)			187,500	270,000
			4,661,369	4,743,869

Table of Contents

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Laurus Healthcare, LP	Healthcare Facilities / Services			
13% Secured Debt (Maturity May 7, 2012)		2,275,000	2,275,000	2,275,000
Warrants (Fully diluted 17.5%)			105,000	4,400,000
			2,380,000	6,675,000
National Trench Safety, LLC	Trench & Traffic Safety Equipment			
10% PIK Debt (Maturity April 16, 2014)		435,966	435,968	435,968
Member Units (Fully diluted 11.7%)			1,792,308	1,910,000
			2,228,276	2,345,968
Olympus Building Services, Inc.	Custodial/Facilities Services			
12% Secured Debt (Maturity March 27, 2014)		1,890,000	1,720,176	1,830,000
Warrants (Fully diluted 13.5%)			150,000	400,000
			1,870,176	2,230,000
Pulse Systems, LLC	Manufacturer of Components for Medical Devices			
Warrants (Fully diluted 7.4%)			132,856	450,000
Schneider Sales Management, LLC	Sales Consulting and Training			
13% Secured Debt (Maturity October 15, 2013)		1,980,000	1,925,206	1,925,206
Warrants (Fully diluted 12.0%)			45,000	
			1,970,206	1,925,206
Vision Interests, Inc.	Manufacturer/ Installer of Commercial Signage			
13% Secured Debt (Maturity June 5, 2012)		3,760,000	3,610,831	3,220,000
Common Stock (Fully diluted 8.9%)			372,000	
Warrants (Fully diluted 11.2%)			160,000	
			4,142,831	3,220,000
Walden Smokey Point, Inc.	Specialty Transportation/ Logistics			
14% current / 4% PIK Secured Debt (Maturity December 30, 2013)		4,946,133	4,863,137	4,863,137
Common Stock (Fully diluted 7.6%)			600,000	900,000
			5,463,137	5,763,137
WorldCall, Inc.	Telecommunication/ Information Services			
13% Secured Debt (Maturity April 22, 2011)		646,225	644,638	644,638

Common Stock (Fully diluted 9.9%)	296,631	100,000
	941,269	744,638
Subtotal Affiliate Investments	41,746,184	44,822,099

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Non-Control/Non-Affiliate Investments(5):				
Audio Messaging Solutions, LLC	Audio Messaging Services			
12% Secured Debt (Maturity May 8, 2014)		3,410,400	3,167,029	3,167,029
Warrants (Fully diluted 5.0%)			215,040	380,000
			3,382,069	3,547,029
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 3.3%)			130,000	370,000
Hayden Acquisition, LLC	Manufacturer of Utility Structures			
8% Secured Debt (Maturity August 9, 2010)		1,800,000	1,781,303	360,000
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		226,461	226,461	226,461
Technical Innovations, LLC	Manufacturer of Specialty Cutting Tools and Punches			
7% Secured Debt (Maturity November 30, 2009)		1,060,000	1,059,411	1,059,411
13.5% Secured Debt (Maturity January 16, 2015)		3,350,000	3,307,580	3,351,280
			4,366,991	4,410,691
Subtotal Non-Control/Non- Affiliate Investments			9,886,824	8,914,181
Main Street Capital Partners, LLC (Investment Manager)	Asset Management			
100% of Membership Interests			18,000,000	16,340,706

Total Portfolio Investments, September 30, 2009			$ 134,683,872	$ 139,799,429
Marketable Securities and Idle Funds Investments	Investments in Secured Debt Investments, Certificates of Deposit, and Diversified Bond Funds			
Barclays Capital High Yield Bond Fund		$ 5,773,480	$ 5,773,480	$ 5,773,480
Western Refining Inc. Secured Term Loan 8.25% (Maturity May 30, 2014)		1,790,126	1,741,516	1,741,516
Booz Allen Hamilton Inc. Secured Term Loan 7.5% (Maturity July 31, 2015)		1,980,000	1,989,577	1,989,577
WM Wrigley Jr. Company Secured Term Loan 6.5% (Maturity October 6, 2014)		3,898,735	3,921,421	3,921,421
Life Technologies Corporation Secured Term Loan 5.25% (Maturity November 23, 2015)		2,389,447	2,395,278	2,395,278
Ashland Inc. Secured Term Loan 7.65% (Maturity May 13, 2014)		1,917,948	1,958,023	1,958,023
Managed Healthcare Associates, Inc. Secured Term Loan 3.52% (Maturity August 1, 2014)		2,000,000	1,441,465	1,600,000
Pharmanet Development Group, Inc. Secured Term Loan 10.0% (Maturity May 29, 2014)		987,500	948,506	948,506
Pharmanet Development Group, Inc. Secured Revolving Loan 10.0% (Maturity May 29, 2014)		5,415,000	5,147,669	5,147,669
Apria Healthcare Group Inc. Senior Secured Notes 11.25% (Maturity November 1, 2014)		7,340,560	7,340,560	7,596,000

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
1.65% Certificate of Deposit (Maturity October 5, 2009)		2,500,000	2,500,000	2,500,000
1.50% Certificate of Deposit (Maturity October 24, 2009)		2,500,000	2,500,000	2,500,000
1.65% Certificate of Deposit (Maturity November 28, 2009)		1,000,000	1,000,000	1,000,000
Other Marketable Securities		1,289,000	840,762	840,762
			$ 39,498,257	$ 39,912,232

(1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) See Note C for summary geographic location of portfolio companies.

(3) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

(5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(7) Income producing through payment of dividends or distributions.

(8) Subject to contractual minimum interest rates.

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Control Investments(3)				
Café Brazil, LLC	Casual Restaurant Group			
12% Secured Debt (Maturity April 20, 2011)		$ 2,750,000	$ 2,728,113	$ 2,750,000
Member Units(7) (Fully diluted 42.3%)			41,837	1,000,000
			2,769,950	3,750,000
CBT Nuggets, LLC	Produces and Sells			
14% Secured Debt (Maturity June 1, 2011)	IT Certification	1,680,000	1,642,518	1,680,000
10% Secured Debt (Maturity December 31, 2009)	Training Videos	150,000	150,000	150,000
Member Units(7) (Fully diluted 29.1%)			432,000	1,625,000
Warrants (Fully diluted 10.5%)			72,000	500,000
			2,296,518	3,955,000
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	2,400,000	2,372,601	2,372,601
Member Units (Fully diluted 42.0%)			1,200,000	1,300,000
			3,572,601	3,672,601
Condit Exhibits, LLC	Tradeshow Exhibits/			
13% current / 5% PIK Secured Debt (Maturity July 1, 2013)	Custom Displays	2,308,073	2,273,194	2,273,194
Warrants (Fully diluted 28.1%)			300,000	300,000
			2,573,194	2,573,194
Gulf Manufacturing, LLC	Industrial Metal Fabrication			
Prime plus 1% Secured Debt (Maturity August 31, 2012)		1,200,000	1,190,764	1,200,000
13% Secured Debt (Maturity August 31, 2012)		1,900,000	1,747,777	1,880,000
Member Units(7) (Fully diluted 18.6%)			472,000	1,100,000
Warrants (Fully diluted 8.4%)			160,000	550,000
			3,570,541	4,730,000
	Transportation/Logistics			

Hawthorne Customs & Dispatch Services, LLC				
13% Secured Debt (Maturity January 31, 2011)		1,200,000	1,171,988	1,171,988
Member Units(7) (Fully diluted 27.8%)			375,000	435,000
Warrants (Fully diluted 16.5%)			37,500	230,000
			1,584,488	1,836,988
Hydratec Holdings, LLC	Agricultural Services			
12.5% Secured Debt (Maturity October 31, 2012)		5,400,000	5,311,329	5,311,329
Prime plus 1% Secured Debt (Maturity October 31, 2012)		1,595,244	1,579,911	1,579,911
Member Units (Fully diluted 60%)			1,800,000	2,050,000
			8,691,240	8,941,240
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,044,000	1,030,957	1,044,000
13% current / 6% PIK Secured Debt (Maturity November 14, 2011)		1,004,591	986,980	1,004,591
Member Units(7) (Fully diluted 24.3%)			376,000	380,000
			2,393,937	2,428,591
NAPCO Precast, LLC	Precast Concrete Manufacturing			
18% Secured Debt (Maturity February 1, 2013)		6,461,538	6,348,011	6,461,538
Prime Plus 2% Secured Debt (Maturity February 1, 2013)(8)		3,692,308	3,660,945	3,692,308
Member Units(7) (Fully diluted 36.1%)			2,000,000	5,100,000
			12,008,956	15,253,846

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
OMi Holdings, Inc.	Manufacturer of			
12% Secured Debt (Maturity April 1, 2013)	Overhead Cranes	6,660,000	6,603,400	6,603,400
Common Stock (Fully diluted 28.8%)			900,000	570,000
			7,503,400	7,173,400
Quest Design & Production, LLC	Design and Fabrication			
10% Secured Debt (Maturity June 30, 2013)	of Custom Display Systems	600,000	465,060	600,000
0% Secured Debt (Maturity June 30, 2013)		2,000,000	2,000,000	1,400,000
Warrants (Fully diluted 40.0%)			1,595,858	
Warrants (Fully diluted 20.0%)			40,000	
			4,100,918	2,000,000
Universal Scaffolding & Equipment, LLC	Manufacturer of Scaffolding			
Prime plus 1% Secured Debt (Maturity August 17, 2012)(8)	and Shoring Equipment	881,833	875,072	875,072
13% current / 5% PIK Secured Debt (Maturity August 17, 2012)		3,362,698	3,311,508	3,160,000
Member Units (Fully diluted 18.4%)			992,063	
			5,178,643	4,035,072
Uvalco Supply, LLC	Farm and Ranch Supply			
Member Units (Fully diluted 39.6%)			905,743	1,575,000
Ziegler s NYPD, LLC	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(8)		600,000	594,239	594,239
13% current / 5% PIK Secured Debt (Maturity October 1, 2013)		2,704,262	2,663,437	2,663,437
Warrants (Fully diluted 28.6%)			360,000	360,000
			3,617,676	3,617,676
Subtotal Control Investments			60,767,805	65,542,608

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Affiliate Investments(4)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor			
12% Secured Debt (Maturity February 5, 2012)	of Wood Doors	3,066,667	2,955,442	2,955,442
Warrants (Fully diluted 12.2%)			97,808	
	Manufacturer of			
American Sensor Technologies, Inc.	Commercial/		3,053,250	2,955,442
Prime plus 0.5% Secured Debt (Maturity	Industrial Sensors			
May 31, 2010)(8)		3,800,000	3,800,000	3,800,000
Warrants (Fully diluted 20.0%)			50,000	250,000
			3,850,000	4,050,000
Carlton Global Resources, LLC	Processor of			
13% PIK Secured Debt (Maturity November 15,	Industrial Minerals			
2011)		4,791,944	4,655,836	
Member Units (Fully diluted 8.5%)			400,000	
			5,055,836	
California Healthcare Medical Billing, Inc.	Healthcare			
12% Secured Debt (Maturity October 17, 2013)	Services	1,410,000	1,141,706	1,141,706
Common Stock (Fully diluted 6%)			390,000	390,000
Warrants (Fully diluted 12%)			240,000	240,000
Houston Plating & Coatings, LLC	Plating & Industrial		1,771,706	1,771,706
Prime plus 2% Secured Debt (Maturity July 18,	Coating Services			
2013)		300,000	300,000	300,000
Member Units(7) (Fully diluted 11.1%)			210,000	2,750,000
KBK Industries, LLC	Specialty Manufacturer		510,000	3,050,000
14% Secured Debt (Maturity January 23, 2011)	of Oilfield and	3,937,500	3,787,758	3,937,500
8% Secured Debt (Maturity March 1, 2010)	Industrial Products	468,750	468,750	468,750
8% Secured Debt (Maturity March 31, 2009)		450,000	450,000	450,000
Member Units(7) (Fully diluted 14.5%)			187,500	775,000
Laurus Healthcare, LP	Healthcare Facilities		4,894,008	5,631,250
13% Secured Debt (Maturity May 7, 2009)		2,275,000	2,259,664	2,275,000
Warrants (Fully diluted 17.5%)			105,000	2,500,000
National Trench Safety, LLC	Trench & Traffic		2,364,664	4,775,000
10% PIK Debt (Maturity April 16, 2014)	Safety Equipment	404,256	404,256	404,256
Member Units (Fully diluted 11.7%)			1,792,308	1,792,308

Pulse Systems, LLC	Manufacturer of		2,196,564	2,196,564
14% Secured Debt (Maturity June 1, 2009)	Components for	1,831,274	1,819,464	1,831,274
Warrants (Fully diluted 7.4%)	Medical Devices		132,856	450,000
Schneider Sales Management, LLC	Sales Consulting		1,952,320	2,281,274
13% Secured Debt (Maturity October 15, 2013)	and Training	1,980,000	1,909,972	1,909,972
Warrants (Fully diluted 12.0%)			45,000	45,000
Vision Interests, Inc.	Manufacturer/		1,954,972	1,954,972
13% Secured Debt (Maturity June 5, 2012)	Installer of Commercial	3,760,000	3,579,117	3,579,117
Common Stock (Fully diluted 8.9%)	Signage		372,000	420,000
Warrants (Fully diluted 11.2%)			160,000	420,000
			4,111,117	4,419,117
Walden Smokey Point, Inc.	Specialty Transportation/			
14% current / 4% PIK Secured Debt (Maturity December 30, 2013)	Logistics	4,800,533	4,704,533	4,704,533
Common Stock (Fully diluted 7.6%)			600,000	600,000
			5,304,533	5,304,533
WorldCall, Inc.	Telecommunication/			
13% Secured Debt (Maturity October 22, 2009)	Information Services	646,225	631,199	640,000
Common Stock (Fully diluted 9.9%)			296,631	382,837
			927,830	1,022,837
Subtotal Affiliate Investments			37,946,800	39,412,695

S-48

Table of Contents

MAIN STREET CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)(2)	Industry	Principal(6)	Cost(6)	Fair Value
Non-Control/Non-Affiliate Investments(5):				
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 3.3%)			130,000	490,000
Hayden Acquisition, LLC	Manufacturer of Utility Structures			
8% Secured Debt (Maturity March 9, 2009)		1,800,000	1,781,303	500,000
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		226,589	226,589	226,589
Technical Innovations, LLC	Manufacturer of Specialty Cutting Tools and Punches			
7% Secured Debt (Maturity August 31, 2009)		416,364	409,297	409,297
13.5% Secured Debt (Maturity January 16, 2015)		3,750,000	3,698,216	3,750,000
			4,107,513	4,159,297
Subtotal Non-Control/Non- Affiliate Investments			6,245,405	5,375,886
Main Street Capital Partners, LLC (Investment Manager)	Asset Management			
100% of Membership Interests			18,000,000	16,675,626
Total Portfolio Investments, December 31, 2008			$ 122,960,010	$ 127,006,815
Idle Funds Investments	Investments in Debt Investments and Diversified Bond Funds			
8.3% General Electric Capital Corporate Bond (Maturity September 20, 2009)		$ 1,218,704	$ 1,218,704	$ 1,218,704
4.50% National City Bank Bond (Maturity March 15, 2010)		1,000,000	1,000,000	1,000,000
Vanguard High-Yield Corp Fund Admiral Shares		1,000,000	1,000,000	1,086,514
		1,000,000	1,000,000	1,084,577

Vanguard Long-Term Investment-Grade Fund Admiral Shares				
	$	4,218,704	$	4,389,795

(1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) See Note C for summary geographic location of portfolio companies.

(3) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(4) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

(5) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(6) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(7) Income producing through payment of dividends or distributions.

(8) Subject to contractual minimum interest rates.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements
(Unaudited)

NOTE A ORGANIZATION AND BASIS OF PRESENTATION

1. *Organization*

Main Street Capital Corporation (MSCC) was formed on March 9, 2007 for the purpose of (i) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP (the Fund) and its general partner, Main Street Mezzanine Management, LLC (the General Partner), (ii) acquiring 100% of the equity interests of Main Street Capital Partners, LLC (the Investment Manager), (iii) raising capital in an initial public offering, which was completed in October 2007 (the IPO), and (iv) thereafter operating as an internally managed business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). The transactions discussed above were consummated in October 2007 and are collectively termed the Formation Transactions. The term Main Street refers to the Fund and the General Partner prior to the IPO and to MSCC and its subsidiaries, including the Fund and the General Partner, subsequent to the IPO.

Immediately following the Formation Transactions, Main Street Equity Interests, Inc. (MSEI) was formed as a wholly owned consolidated subsidiary of MSCC. MSEI has elected for tax purposes to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income.

2. *Basis of Presentation*

Main Street s financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). For the three and nine months ended September 30, 2009 and 2008, the consolidated financial statements of Main Street include the accounts of MSCC, the Fund, MSEI and the General Partner. The Investment Manager is accounted for as a portfolio investment (see Note D). Marketable securities and idle funds investments are classified as financial instruments and are reported separately on Main Street s Consolidated Balance Sheets and Consolidated Schedule of Investments due to the nature of such investments (See Note B.9). To allow for more relevant disclosure of Main Street s core investment portfolio, core portfolio investments, as used herein, refers to all of Main Street s portfolio investments excluding the Investment Manager and all Marketable securities and idle funds investments. Main Street s results of operations for the three and nine months ended September 30, 2009 and 2008, and cash flows for the nine months ended September 30, 2009 and 2008, and financial position as of September 30, 2009 and December 31, 2008, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to prior period balances to conform with the current financial statement presentation, including the reclassification of MSCC shares of common stock repurchased under Main Street s share repurchase plan, which were formerly classified as treasury stock and are now reflected as a reduction of common stock and additional paid in capital in accordance with Maryland law.

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 and nine months ended September 30, 2009 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, 2008. 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

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

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

Portfolio Investment Classification

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

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Valuation of Portfolio Investments*

Main Street accounts for its core portfolio investments and the Investment Manager at fair value. As a result, Main Street adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 820, *Fair Value Measurements and Disclosures*, in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires Main Street to assume that the portfolio investment is to be sold in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. With the adoption of this statement, Main Street incorporated the income approach to estimate the fair value of its core portfolio debt investments principally using a yield-to-maturity model. Prior to the adoption of ASC 820, Main Street reported unearned income as a single line item on the consolidated balance sheets and consolidated schedule of investments. Unearned income is no longer reported as a separate line item and is now part of the investment portfolio cost and fair value on the consolidated balance sheets and the consolidated schedule of investments. This change in presentation had no impact on the overall net cost or fair value of Main Street s investment portfolio and had no impact on Main Street s financial position or results of operations.

Main Street s core business plan calls for it to invest primarily in illiquid securities issued by private companies. These core investments may be subject to restrictions on resale and will generally have no established trading market. As a result, Main Street determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. Main Street reviews external events, including

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. Main Street s valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

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

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

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

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Main Street uses a standard investment rating system in connection with its investment oversight, portfolio management/analysis and investment valuation procedures. This system takes into account both quantitative and qualitative factors of the portfolio company and the investments held. Each quarter, Main Street estimates the fair value of each portfolio investment, and the Board of Directors of Main Street oversees, reviews and approves, in good faith, Main Street s fair value estimates consistent with the 1940 Act requirements.

Pursuant to its internal valuation process, Main Street performs valuation procedures on each portfolio company once a quarter. In addition to its internal valuation process, in arriving at estimates of fair value for portfolio companies, Main Street, among other things, consults with a nationally recognized independent advisor. The nationally recognized independent advisor is generally consulted relative to each portfolio investment at least once in every calendar year, and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders best interest, to consult with the nationally recognized independent advisor on one or more portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street s investment in a portfolio company is determined to be insignificant relative to the total investment portfolio. Main Street consulted with its independent advisor in arriving at Main Street s determination of fair value on a total of 19 portfolio companies for the nine months ended September 30, 2009, representing approximately 50% of the total portfolio investments at fair value as of September 30, 2009. Main Street consulted with its advisor relative to Main Street s determination of fair value on 4, 9, and 6 portfolio investments for the quarters ended March 31, June 30, and September 30 2009, respectively. The Board of Directors of Main Street has the final responsibility for reviewing and approving, in good faith, Main Street s estimate of the fair value for the investments.

Main Street believes its investments as of September 30, 2009 and December 31, 2008 approximate fair value as of those dates based on the market in which Main Street operates and other conditions in existence at those reporting periods.

2. *Interest and Dividend Income*

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

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

As of September 30, 2009, Main Street had three investments on non-accrual status, which comprised approximately 2.6% of the core investment portfolio at fair value. At December 31, 2008, Main Street had one

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

investment on non-accrual status, which comprised approximately 0.5% of the core investment portfolio at fair value.

3. *Fee Income Structuring and Advisory Services*

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

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

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

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

5. *Share-Based Compensation*

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

6. *Income Taxes*

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

MSCC s wholly owned subsidiary, MSEI, is a taxable entity which holds certain core portfolio investments of Main Street. MSEI is consolidated for U.S. GAAP reporting purposes, and the core portfolio investments held by MSEI are included in Main Street s consolidated financial statements. The principal purpose of MSEI is to permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to comply with the source income requirements contained in the RIC tax provisions. MSEI is not consolidated with Main Street for income tax purposes and may generate

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

income tax expense as a result of its ownership of certain core portfolio investments. This income tax expense, if any, is reflected in Main Street s Consolidated Statement of Operations.

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

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

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

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

8. *Concentration of Credit Risks*

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

9. *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, accounts payable and accrued liabilities approximate the fair values of such items. Marketable securities and idle funds investments consist primarily of short term investments in secured debt investments, U.S. government agency securities, certificates of deposit, and diversified bond funds. The fair value determination for these investments under the provisions of ASC 820 primarily consists of Level 1 observable inputs. The SBIC debentures remain a strategic advantage due to their flexible structure, long-term duration, and low fixed interest rates. As of September 30, 2009, had Main Street adopted the fair value option under ASC 825, *Financial Instruments*, relating to accounting for debt obligations at their fair value, Main Street estimates the fair value of its SBIC debentures would be approximately $45.1 million, or $9.9 million less than the face value of the SBIC debentures.

10. *Recently Issued Accounting Standards*

In June 2008, the FASB amended ASC 260, *Earnings Per Share* with ASC 260-10-45-61A which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS). ASC 260-10-45-61A is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented has been adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

conform to the amended provisions of ASC 260. Early application is not permitted. On July 1, 2008 and 2009, Main Street s Board of Directors approved the issuance of shares of restricted stock to Main Street employees and independent directors as discussed further in Note J. Main Street determined that these shares of restricted stock are participating securities prior to vesting. For the nine months ended September 30, 2009 and 2008, 292,058 and 255,645 shares, respectively, of non-vested restricted stock have been included in Main Street s basic and diluted EPS computations.

In October 2008, the FASB amended ASC 820 with ASC 820-10-35-15A, *Financial Assets in a Market That Is Not Active*, to provide an illustrative example of how to determine the fair value of a financial asset in an inactive market. ASC 820-10-35-15A does not change the fair value measurement principles previously set forth. Since adopting ASC 820 in January 2008, Main Street s practices for determining the fair value of its investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in ASC 820-10-35-15A. Therefore, Main Street s adoption of the update did not affect its practices for determining the fair value of its investment portfolio and financial instruments, and its adoption did not have a material effect on its financial position or results of operations.

In April 2009, the FASB amended ASC 820 and ASC 825 with ASC 820-10-35, *Subsequent Measurement*, and ASC 825-10-65, *Transition and Open Effective Date Information.* Both amendments are effective for reporting periods ending on or after June 15, 2009. Since adopting ASC 820 and ASC 825 in January 2008, Main Street s practices for determining fair value and for disclosures about the fair value of its investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in the amended pronouncements. Therefore, Main Street s adoption of these updates did not affect its practices for determining the fair value of its investment portfolio and financial instruments, and its adoption did not have a material effect on its financial position or results of operations.

In May 2009, the FASB amended ASC 855, *Subsequent Events* with ASC 855-10-50, *Disclosure*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10-50 includes a new required disclosure of the date through which an entity has evaluated subsequent events and is effective for interim periods or fiscal years ending after June 15, 2009. Main Street s adoption of ASC 855-10-50 did not have a material effect on its financial position or results of operations.

In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles*, which became the single official source of authoritative, nongovernmental U.S. GAAP, other than rules and interpretive releases issued by the Securities and Exchange Commission. The Codification reorganized the literature and changed the naming mechanism by which topics are referenced. ASC 105 was effective for Main Street during its interim period ended September 30, 2009. As required, references to pre-codification accounting literature have been changed throughout this quarterly report on Form 10-Q to appropriately reference the Codification. The Company s accounting policies and amounts presented in the financial statements were not impacted by this change.

NOTE C FAIR VALUE HIERARCHY FOR INVESTMENTS

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

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Fair Value Hierarchy

In accordance with ASC 820, Main Street has categorized its portfolio investments, marketable securities and idle funds 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).

Portfolio investments, marketable securities and idle funds 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. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the investment (for example, investments in illiquid securities issued by private companies).

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

As of September 30, 2009 and December 31, 2008, all of Main Street s marketable securities and idle funds investments consisted primarily of investments in secured debt investments, certificates of deposit, and diversified bond funds. The fair value determination for these investments primarily consisted of observable inputs. As a result, all of Main Street s marketable securities and idle funds investments were categorized as Level 1 as of September 30, 2009 and December 31, 2008, with a fair value of $39,912,232 and $4,389,795, respectively.

As of September 30, 2009, all of Main Street s portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

inputs. As a result, all of Main Street s portfolio investments were categorized as Level 3. The fair value determination of each portfolio investment required one or more of the following unobservable inputs:

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

Current and projected financial condition of the portfolio company;

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

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

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

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

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

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 following table provides a summary of changes in fair value of Main Street s Level 3 portfolio investments for the nine months ended September 30, 2009:

	Net Changes from	Net Unrealized

ype of nvestment	December 31, 2008 Fair Value	Accretion of Unearned Income	Redemptions/ Repayments(1)	New Investments(1)	Unrealized to Realized	Appreciation (Depreciation)	September 30, 2009 Fair Value
ebt	$ 81,751,043	$ 453,545	$ (9,190,489)	$ 15,070,907	$ (183,105)	$ (4,642,527)	$ 83,259,374
quity	22,735,146		(132,480)	3,989,278	(365,853)	3,645,687	29,871,778
quity warrants	5,845,000		(109,510)	1,642,611	(428,000)	3,377,470	10,327,571
nvestment Manager	16,675,626					(334,920)	16,340,706
	$ 127,006,815	$ 453,545	$ (9,432,479)	$ 20,702,796	$ (976,958)	$ 2,045,710	$ 139,799,429

(1) Includes the impact of non-cash conversions

Core Portfolio Investments

Main Street s core portfolio investments principally consist of secured debt, equity warrants and direct equity investments in privately held companies. The core debt investments are secured by either a first or second lien on the assets of the portfolio company, generally bear interest at fixed rates, and generally mature between five and seven years from the original investment. In most portfolio companies, Main Street also

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

receives nominally priced equity warrants and/or makes direct equity investments, usually in connection with a debt investment.

As discussed further in Note D, the Investment Manager is a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment of Main Street since it conducts a significant portion of its investment management activities for entities outside of MSCC and its subsidiaries. To allow for more relevant disclosure of Main Street s core investment portfolio, Main Street s investment in the Investment Manager has been excluded from the tables and amounts set forth in this Note C.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including repayment of a debt investment or sale of an equity interest. Revenue recognition in any given year could be highly concentrated among several portfolio companies. For the nine months ended September 30, 2009, Main Street did not record investment income from any portfolio company in excess of 10% of total investment income. For the nine months ended September 30, 2008, Main Street recorded investment income from one portfolio company in excess of 10% of total investment income. The investment income from that portfolio company represented approximately 23% of the total investment income for the period, principally related to high levels of dividend income and transaction and structuring fees on the new investment in such company.

As of September 30, 2009, Main Street had debt and equity investments in 36 core portfolio companies with an aggregate fair value of $123,458,723 and a weighted average effective yield on its debt investments of approximately 14.0%. Approximately 81% of Main Street s total core portfolio investments at cost were in the form of debt investments and 92% of such debt investments at cost were secured by first priority liens on the assets of Main Street s portfolio companies as of September 30, 2009. At September 30, 2009, Main Street had equity ownership in approximately 92% of its core portfolio companies and the average fully diluted equity ownership in those portfolio companies was approximately 24%. As of December 31, 2008, Main Street had debt and equity investments in 31 core portfolio companies with an aggregate fair value of $110,331,189 and a weighted average effective yield on its debt investments of approximately 14.0%. The weighted average yields were computed using the effective interest rates for all debt investments at September 30, 2009 and December 31, 2008, including amortization of deferred debt origination fees and accretion of original issue discount but excluding any debt investments on non-accrual status.

Summaries of the composition of Main Street s core investment portfolio at cost and fair value as a percentage of total core portfolio investments are shown in the following table:

Cost:	**September 30, 2009**	**December 31, 2008**
First lien debt	73.8%	76.2%
Equity	13.7%	11.0%
Second lien debt	6.8%	7.4%
Equity warrants	5.7%	5.4%
	100.0%	100.0%

Fair Value:	**September 30, 2009**	**December 31, 2008**
First lien debt	61.0%	67.0%
Equity	19.8%	15.7%
Equity warrants	12.7%	10.2%
Second lien debt	6.5%	7.1%
	100.0%	100.0%

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

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

Cost:	**September 30, 2009**	**December 31, 2008**
Southwest	49.7%	50.2%
West	30.9%	36.3%
Southeast	7.7%	5.1%
Midwest	6.8%	4.7%
Northeast	4.9%	3.7%
	100.0%	100.0%

Fair Value:	**September 30, 2009**	**December 31, 2008**
Southwest	56.4%	56.0%
West	27.5%	31.1%
Midwest	6.5%	5.1%
Northeast	5.5%	3.7%
Southeast	4.1%	4.1%
	100.0%	100.0%

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Main Street s core portfolio investments are generally in lower middle-market companies conducting business in a variety of industries. Set forth below are tables showing the composition of Main Street s core portfolio investments by industry at cost and fair value as of September 30, 2009 and December 31, 2008:

Cost:	**September 30, 2009**	**December 31, 2008**
Industrial equipment	10.7%	12.0%
Professional services	9.9%	4.1%
Precast concrete manufacturing	9.6%	11.3%
Custom wood products	8.6%	9.3%
Electronics manufacturing	6.8%	7.6%
Retail	6.7%	6.5%
Transportation/Logistics	6.5%	6.6%
Agricultural services	6.3%	8.3%
Restaurant	5.5%	6.1%
Industrial services	4.7%	0.5%
Mining and minerals	4.3%	4.8%
Manufacturing	4.0%	4.7%
Health care products	3.9%	5.8%
Health care services	3.8%	4.2%
Metal fabrication	2.5%	3.4%
Equipment rental	2.2%	2.1%
Governmental services	1.6%	0.0%
Infrastructure products	1.5%	1.7%
Information services	0.8%	0.9%
Distribution	0.1%	0.1%
	100.0%	100.0%

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Fair Value:	**September 30, 2009**	**December 31, 2008**
Precast concrete manufacturing	11.8%	13.7%
Professional services	10.3%	5.4%
Health care services	8.1%	6.1%
Agricultural services	8.0%	8.1%
Industrial services	6.8%	2.8%
Transportation/Logistics	6.7%	6.5%
Retail	6.6%	7.0%
Electronics manufacturing	6.4%	7.7%
Restaurant	6.3%	6.7%
Industrial equipment	6.1%	10.2%
Custom wood products	5.3%	6.8%
Metal fabrication	4.7%	4.3%
Health care products	3.9%	5.8%
Manufacturing	3.8%	5.1%
Equipment rental	2.2%	2.0%
Governmental services	1.8%	0.0%
Information services	0.6%	0.9%
Infrastructure products	0.3%	0.5%
Distribution	0.3%	0.4%
	100.0%	100.0%

At September 30, 2009, Main Street had one investment that was greater than 10% of its total core investment portfolio at fair value. That investment represented approximately 12% of the core portfolio at fair value. At December 31, 2008, Main Street had one investment that was greater than 10% of its total core investment portfolio at fair value. That investment represented approximately 14% of the core portfolio at fair value at December 31, 2008. For the three months ended September 30, 2009, Main Street received a $0.9 million special, non-recurring dividend on a portfolio company investment.

NOTE D WHOLLY OWNED INVESTMENT MANAGER

As part of the Formation Transactions, the Investment Manager became a wholly owned subsidiary of MSCC. However, the Investment Manager is accounted for as a portfolio investment, since the Investment Manager is not an investment company and since it conducts a significant portion of its investment management activities for Main Street Capital II, LP (MSC II), a separate small business investment company (SBIC) fund, which is not part of MSCC or one of its subsidiaries. The Investment Manager receives recurring investment management fees from MSC II pursuant to a separate investment advisory agreement, paid quarterly, which currently total $3.3 million per year, and the Investment Manager also receives other consulting or advisory fees from third parties (the External Services). The portfolio investment in the 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, based on the same valuation methodologies applied to determine the original $18 million valuation. The valuation for the Investment Manager is based on the total estimated present value of the net cash flows received for the External Services, over the estimated dollar averaged life of the related investment advisory or consulting contract, and is also based on comparable public market transactions. The net cash flows utilized in the valuation of the Investment

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Manager exclude any revenues and expenses from MSCC and its subsidiaries, but include the External Services, and are reduced by an estimated allocation of costs related to providing services to MSC II and other third parties. Any change in fair value of the Investment Manager investment is recognized on Main Street s statement of operations as Unrealized appreciation (depreciation) in Investment in affiliated Investment Manager, with a corresponding increase (in the case of appreciation) or decrease (in the case of depreciation) to Investment in affiliated Investment Manager on Main Street s balance sheet. Main Street believes that the valuation for the Investment Manager will generally decrease over the life of the investment advisory and consulting contracts with MSC II and other third parties, absent obtaining additional recurring cash flows from performing the External Services for other external investment entities or other third parties.

The Investment Manager has elected, for tax purposes, to be treated as a taxable entity and is taxed at normal corporate tax rates based on its taxable income. The taxable income of the Investment Manager may differ from its book income due to temporary book and tax timing differences, as well as permanent differences. The Investment Manager provides for any current taxes payable and deferred tax items in its separate financial statements.

MSCC has a support services agreement with the Investment Manager that is structured to provide reimbursement to the Investment Manager for any personnel, administrative and other costs it incurs in conducting its operational and investment management activities in excess of the fees received for the External Services. As a wholly owned subsidiary of MSCC, the Investment Manager manages the day-to-day operational and investment activities of MSCC and its subsidiaries, as well as the investment activities of MSC II. The Investment Manager pays personnel and other administrative expenses, except those specifically required to be borne by MSCC, which principally include direct costs that are specific to MSCC s status as a publicly traded entity. The expenses paid by the Investment Manager include the cost of salaries and related benefits, rent, equipment and other administrative costs required for day-to-day operations.

Pursuant to the support services agreement with MSCC, the Investment Manager is reimbursed by MSCC for its excess cash expenses associated with providing investment management and other services to MSCC and its subsidiaries, as well as MSC II and other third parties. Each quarter, as part of the support services agreement, MSCC makes payments to cover all cash expenses incurred by the Investment Manager, less the External Services fees that the Investment Manager receives from MSC II and other third parties pursuant to long-term investment advisory agreements and consulting agreements. For the nine months ended September 30, 2009 and 2008, the expenses reimbursed by MSCC to the Investment Manager were $306,175 and $719,777, respectively.

In its separate stand alone financial statements as summarized below, the Investment Manager recognized an $18 million intangible asset related to the investment advisory agreement with MSC II and consistent with Staff Accounting Bulletin No. 54, *Application of Pushdown Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase* (SAB 54). Under SAB 54, push-down accounting is required in purchase transactions that result in an entity becoming substantially wholly owned. In this case, MSCC acquired 100% of the equity interests in the Investment Manager. Because the $18 million value attributed to MSCC s investment in the Investment Manager was derived from the long-term, recurring management fees under the investment advisory agreement with MSC II, the same methodology used to determine the $18 million valuation of the Investment Manager was utilized to establish the push-down accounting basis for the intangible asset. The intangible asset is being amortized over the estimated economic life of the investment advisory agreement with MSC II. For the nine months ended September 30, 2009 and 2008, the Investment Manager recognized $767,694 and $872,931 in amortization expense associated with the intangible asset. Amortization expense is not included in the expenses reimbursed by MSCC to the Investment Manager based upon the support services agreement since it is non-cash in nature.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Summarized financial information from the separate financial statements of the Investment Manager is as follows:

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash	$ 17,385	$ 20,772
Accounts receivable	30,794	17,990
Accounts receivable MSCC	212,349	302,633
Intangible asset (net of accumulated amortization of $1,941,901 and $1,174,207 as of September 30, 2009 and December 31, 2008, respectively)	16,058,099	16,825,793
Deposits and other	77,428	103,392
Total assets	$ 16,396,055	$ 17,270,580
LIABILITIES		
Accounts payable and accrued liabilities	$ 482,529	$ 589,360
Equity	15,913,526	16,681,220
Total liabilities and equity	$ 16,396,055	$ 17,270,580

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Management fee income from MSC II	$ 831,300	$ 831,300	$ 2,493,900	$ 2,493,900
Other management advisory and consulting fees	116,187	3,000	230,312	3,000
Total income	947,487	834,300	2,724,212	2,496,900
Salaries, benefits and other personnel costs	(1,040,928)	(941,279)	(2,510,736)	(2,626,201)
Occupancy expense	(86,982)	(45,134)	(263,304)	(132,297)
Professional expenses	(9,495)	(19,408)	(22,127)	(24,607)
Amortization expense intangible asset	(261,431)	(296,052)	(767,694)	(872,931)
Other	(36,319)	(103,518)	(234,220)	(433,572)

Expense reimbursement from MSCC	226,237	275,039	306,175	719,777
Total net expenses	(1,208,918)	(1,130,352)	(3,491,906)	(3,369,831)
Net income (loss)	$ (261,431)	$ (296,052)	$ (767,694)	$ (872,931)

NOTE E SBIC DEBENTURES

SBIC debentures payable at September 30, 2009 and December 31, 2008 were $55 million. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date. The weighted average interest rate as of September 30, 2009 and December 31, 2008 was 5.78%. The first principal maturity due under the existing SBIC debentures is in 2013, and the weighted average duration

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

is approximately 5.7 years. The Fund is subject to regular compliance examinations by the Small Business Administration. There have been no historical findings resulting from these examinations.

NOTE F INVESTMENT AND TREASURY CREDIT FACILITIES

On October 24, 2008, Main Street entered into a $30 million, three-year investment credit facility (the Investment Facility) with Branch Banking and Trust Company (BB&T) and Compass Bank, as lenders, and BB&T, as administrative agent for the lenders. The purpose of the Investment Facility is to provide additional liquidity in support of future investment and operational activities. The Investment Facility allows for an increase in the total size of the facility up to $75 million, subject to certain conditions, and has a maturity date of October 24, 2011. Borrowings under the Investment Facility bear interest, subject to Main Street s election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate plus 0.75%. Main Street pays unused commitment fees of 0.375% per annum on the average unused lender commitments under the Investment Facility. The Investment Facility is secured by certain assets of MSCC, MSEI and the Investment Manager. The Investment Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum liquidity of not less than 10% of the aggregate principal amount outstanding, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, and (iii) maintaining a minimum tangible net worth. At September 30, 2009, Main Street had no borrowings outstanding under the Investment Facility, and Main Street was in compliance with all covenants of the Investment Facility.

On December 31, 2007, Main Street entered into a treasury-based credit facility (the Treasury Facility) among Main Street, Wachovia Bank, National Association and BB&T, as administrative agent for the lenders. The purpose of the Treasury Facility was to provide flexibility in the sizing of portfolio investments and to facilitate the growth of Main Street s investment portfolio. However, due to the maturation of Main Street s investment portfolio and the additional flexibility provided by the Investment Facility, Main Street unilaterally terminated the Treasury Facility on July 10, 2009 in order to eliminate the unused commitment fees that would have been paid under this facility over its remaining term.

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

NOTE G FINANCIAL HIGHLIGHTS

	Nine Months Ended September 30,	
	2009	**2008**
Per Share Data:		
Net asset value at beginning of period	$ 12.20	$ 12.85
Net investment income(1)	0.69	0.84
Net realized gains(1)(2)	0.15	0.56
Net change in unrealized appreciation (depreciation) on investments(1)(2)	0.13	(0.51)
Income tax (provision) benefit(1)(2)	0.08	0.26
Net increase in net assets resulting from operations(1)	1.05	1.15
Net decrease in net assets from dividends to stockholders	(1.13)	(1.05)
Net decrease in net assets from dividends declared as of September 30, 2008 for the October 15, 2008 monthly dividend		(0.13)
Other(3)	(0.11)	(0.33)
Net asset value at September 30, 2009 and 2008	$ 12.01	$ 12.49
Market value at September 30, 2009 and 2008	$ 14.23	$ 11.55
Shares outstanding at September 30, 2009 and 2008	10,749,640	9,241,183

(1) Based on weighted average number of common shares outstanding for the period.

(2) Net realized gains, 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 certain per share data based on the shares outstanding as of a period end or transaction date.

	Nine Months Ended September 30,	
	2009	**2008**
Net assets at end of period	$ 129,062,825	$ 115,417,819
Average net assets	118,259,377	115,632,576
Average outstanding debt	55,000,000	55,000,000

Ratio of total expenses, excluding interest expense, to average net assets(1)	1.81%	1.99%
Ratio of total expenses to average net assets(1)	4.20%	4.36%
Ratio of net investment income to average net assets(1)	5.69%	6.59%
Total return based on change in net asset value(2)	9.17%	9.46%

(1) Not annualized.

(2) Total return based on change in net asset value was calculated using the sum of ending net asset value plus distributions to stockholders during the period less equity issuances during the period, as divided by the beginning net asset value.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

NOTE H DIVIDEND, DISTRIBUTIONS AND TAXABLE INCOME

In September 2008, Main Street announced that it would begin making dividend payments on a monthly, as opposed to a quarterly, basis beginning in October 2008. Main Street paid monthly dividends of $0.125 per share for each month beginning January 2009 through September 2009, totaling $10.8 million, or $1.13 per share for the period. For the nine months ended September 30, 2008, Main Street s Board of Directors declared dividends of approximately $10.6 million or $1.18 per common share for the period.

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. Main Street s estimates that the tax attributes of its distributions year-to-date as of September 30, 2009 consist substantially of ordinary income. There can be no assurance that this estimate is representative of the final tax attributes of Main Street s 2009 distributions to its stockholders. Ordinary dividend distributions from a RIC do not qualify for the 15% maximum tax rate 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 (which Main Street did not receive during the year-to-date period of 2009).

MSCC has elected to be treated for federal income tax purposes as a RIC. As a RIC, MSCC generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that MSCC distributes to its stockholders as dividends. MSCC must generally distribute at least 90% of its investment company taxable income to qualify for pass-through tax treatment and maintain its RIC status. As part of maintaining RIC status, undistributed taxable income (subject to a 4% 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 prior to the filing of the federal income tax return for the prior year.

One of MSCC s wholly owned subsidiaries, MSEI, is a taxable entity which holds certain core portfolio investments for Main Street. MSEI is consolidated with Main Street for financial reporting purposes, and the core portfolio investments held by MSEI are included in Main Street s consolidated financial statements. The principal purpose of MSEI is to permit Main Street to hold equity investments in portfolio companies which are pass through entities for tax purposes in order to comply with the source income requirements contained in the RIC tax provisions of the Code. MSEI is not consolidated with Main Street for income tax purposes and may generate income tax expense or income tax benefit as a result of its ownership of various core portfolio investments. This income tax expense or benefit, if any, is reflected in Main Street s Consolidated Statement of Operations. For the three months ended September 30, 2009, Main Street recognized an income tax benefit of $1,372,451 primarily consisting of deferred tax benefits related to net unrealized depreciation on certain portfolio investments held by MSEI.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

Listed below is a reconciliation of Net Increase (Decrease) in Net Assets Resulting from Operations to taxable income and also to total distributions declared to common stockholders for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30, 2009 (Estimated)	Nine Months Ended September 30, 2008
Net increase in net assets resulting from operations	$ 10,308,481	$ 10,364,435
Share-based compensation expense	767,218	315,726
Net change in unrealized (appreciation) depreciation on investments	(1,311,636)	4,584,033
Income tax provision (benefit)	(789,564)	(2,297,265)
Pre-tax book income of taxable subsidiary, MSEI, not consolidated for tax purposes	(715,378)	(1,140,575)
Book income and tax income differences, including debt origination, structuring fees and realized gains	267,430	1,398,661
Taxable income	8,526,551	13,225,015
Taxable income earned in prior year and carried forward for distribution in current year	3,129,725	1,481,131
Taxable income earned in current period and carried forward for distribution	(620,571)	(4,080,868)
Total distributions to common stockholders	$ 11,035,705	$ 10,625,278

NOTE I 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. Main Street has the option to satisfy the share requirements of the DRIP through the issuance of 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 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 by the DRIP plan administrator, 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 the nine months ended September 30, 2009, $4.0 million of the total $10.8 million in dividends paid to stockholders represented DRIP participation. During this period, Main Street satisfied the DRIP participation requirements with the purchase of 169,742 shares of common stock in the open market and the issuance of 178,780 new shares. For the nine months ended September 30, 2008, $3.7 million of the total $9.5 million in dividends paid to stockholders represented DRIP participation. Main Street satisfied the DRIP participation requirements with the purchase of 251,642 shares of common stock in the open market and the issuance of 15,820 new shares. The shares disclosed above relate only to Main Street s DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

NOTE J 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 will amortize this fair value to share-based compensation expense over the requisite service period or vesting term.

On July 1, 2009, Main Street s Board of Directors approved the issuance of 99,312 shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares will vest over a four-year period from the grant date and will be expensed over the four-year service period starting on the grant date. On July 1, 2008, Main Street s Board of Directors approved the issuance of 245,645 shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2008 Equity Incentive Plan. These shares are vesting over a four-year period from the grant date and are being expensed over the four-year service period starting on the grant date.

On July 1, 2009, a total of 8,512 shares of restricted stock was issued to Main Street s independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. These shares will vest on the day immediately preceding Main Street s next annual meeting of stockholders and will be expensed over a one-year service period starting on the grant date. On July 1, 2008, a total of 20,000 shares of restricted stock was issued to Main Street s independent directors pursuant to the Main Street Capital Corporation 2008 Non-Employee Director Restricted Stock Plan. One-half of those shares vested immediately on the grant date, and the remaining half vested on the day immediately preceding the June 2009 annual meeting of stockholders. As a result, 50% of those shares were expensed during July 2008, and the remaining 50% were expensed over a one-year service period starting on the grant date and ending in June 2009.

For the nine months ended September 30, 2009, Main Street recognized total share-based compensation expense of $767,218 related to the restricted stock issued to Main Street employees and Main Street s independent directors.

As of September 30, 2009, there was $3,429,387 of total unrecognized compensation cost related to Main Street s non-vested restricted shares. This cost is expected to be recognized over a weighted-average period of approximately 3.2 years.

NOTE K STOCK OFFERING

In June 2009, Main Street completed a public stock offering consisting of the public offering and sale of 1,437,500 shares of common stock, including the underwriters exercise of the over-allotment option, at a price to the public of $12.10 per share. The offering resulted in total net proceeds of approximately $16.2 million, after deducting underwriters commissions and offering costs.

NOTE L EARNINGS PER SHARE

On January 1, 2009, Main Street adopted the provisions of ASC 260-10-45-61A within ASC 260, *Earnings Per Share*. Main Street includes performance-based restricted stock in its calculation of basic and diluted earnings per share when it believes it is probable the performance criteria will be met and the forfeiture provisions have not lapsed.

NOTE M COMMITMENTS

At September 30, 2009, Main Street had two outstanding commitments to fund unused revolving loans for up to $900,000 in total.

Table of Contents

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

NOTE N SUPPLEMENTAL CASH FLOW DISCLOSURES

Listed below are supplemental cash flow disclosures for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30, 2009	2008
Interest paid	$ 3,323,852	$ 3,267,981
Taxes paid	$ 378,560	$ 312,751
Non-cash financing activities:		
Shares issued pursuant to the DRIP	$ 2,345,116	$ 213,728

NOTE O RELATED PARTY TRANSACTIONS

We co-invested with MSC II in several existing core portfolio investments prior to the IPO, but did not co-invest with MSC II subsequent to the IPO and prior to June 2008. In June 2008, we received exemptive relief from the SEC to allow us to resume co-investing with MSC II in accordance with the terms of such exemptive relief. MSC II is managed by the Investment Manager, and the Investment Manager is wholly owned by MSCC. MSC II is an SBIC fund with similar investment objectives to Main Street and which began its investment operations in January 2006. The co-investments among Main Street and MSC II had all been made at the same time and on the same terms and conditions. The co-investments were also made in accordance with the Investment Manager s conflicts policy and in accordance with the applicable SBIC conflict of interest regulations.

As discussed further in Note D to the accompanying consolidated financial statements, subsequent to the completion of the Formation Transactions, the Investment Manager is a wholly owned portfolio company of Main Street. At September 30, 2009 and December 31, 2008, the Investment Manager had a receivable of $212,349 and $302,633, respectively, with MSCC related to cash expenses incurred by the Investment Manager required to support Main Street s business.

NOTE P SUBSEQUENT EVENTS

On September 23, 2009, Main Street commenced a formal offer to exchange (the Offer) shares of its common stock for at least a majority of the limited partner interests in MSC II. MSC II is an independently owned investment fund that operates as an SBIC and commenced operations in January 2006. MSC II has access to long-term, low-cost leverage through its participation in the SBIC program. MSC II is managed by Main Street pursuant a separate investment advisory services agreement. The Offer is only being made for MSC II limited partner interests that are not owned by affiliates of Main Street, including any officers or directors of Main Street. As part of the transactions related to the Offer, it is contemplated that the general partner of MSC II will also be assumed by Main Street for no consideration. The Offer is subject to various conditions and approvals, including but not limited to approval by the U.S. Small Business Administration (SBA). The initial offer period expired on October 23, 2009 and approximately 78% of the total dollar value of the MSC II limited partner interests had made an election to participate in the Offer during the initial offer period. Since the required approval from SBA had not been received at the end of the initial offer period and certain other conditions had not been satisfied, the Offer was extended for an additional 30-day period to end on November 23, 2009. The maximum number shares of Main Street common stock that may be issued pursuant to the Offer would total approximately 1.3 million shares. Owning a majority of MSC II will provide Main Street with access to additional long-term leverage capacity through the SBIC program, and Main Street

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

currently projects that consummation of the Offer will be accretive to its calendar year 2010 distributable net investment income per share.

During October 2009, Main Street sold its portfolio investment in Universal Scaffolding & Equipment, LLC (Universal), which was on non-accrual status as of September 30, 2009. Main Street had recorded unrealized depreciation as of September 30, 2009 on its Universal investment equal to the $4.3 million loss it will realize on the sale in the fourth quarter of 2009.

Main Street has performed an evaluation of subsequent events through November 6, 2009, which is the date the financial statements were issued.

AUDITED AND INTERIM FINANCIAL STATEMENTS OF

MAIN STREET CAPITAL II, LP

TABLE OF CONTENTS

Table of Contents

Report of Independent Certified Public Accountants

To the General Partner of
Main Street Capital II, LP

We have audited the combined balance sheets of Main Street Capital II, LP (a Delaware limited partnership) and Main Street Capital II GP, LLC (a Delaware limited liability company) including the combined schedules of investments as of December 31, 2008 and 2007, and the related combined statements of operations, changes in members equity and partners capital, cash flows, and the combined financial highlights (see Note 10) for the years then ended. These combined financial statements and combined financial highlights are the responsibility of Main Street Capital II GP, LLC s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements and financial highlights referred to above present fairly, in all material respects, the combined financial position of Main Street Capital II, LP and Main Street Capital II GP, LLC as of December 31, 2008 and 2007, and the combined results of their operations, changes in members equity and partners capital, cash flows and financial highlights for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the combined financial statements, Main Street Capital II, LP adopted Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* effective January 1, 2008.

/s/ GRANT THORNTON LLP

Houston, Texas
January 7, 2010

Table of Contents

MAIN STREET CAPITAL II, LP

Combined Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008	December 31, 2007
ASSETS			
Investments at fair value:			
Control investments (cost: $38,182,778, $40,761,836, and $38,061,598 as of September 30, 2009, December 31, 2008 and 2007, respectively)	$ 31,588,348	$ 41,002,450	$ 39,192,926
Affiliate investments (cost: $39,395,499, $30,782,718, and $24,910,609 as of September 30, 2009, December 31, 2008 and 2007, respectively)	31,840,792	22,957,869	19,955,498
Non-Control/Non-Affiliate investments (cost: $4,421,893, $2,044,879, and $5,846,444 as of September 30, 2009, December 31, 2008 and 2007, respectively)	4,688,598	2,491,269	6,414,873
Total investments (cost: $82,000,170, $73,589,433, and $68,818,651 as of September 30, 2009, December 31, 2008 and 2007, respectively)	68,117,738	66,451,588	65,563,297
Marketable securities and idle funds investments (cost: $8,143,707 as of September 30, 2009)	8,271,411		
Cash and cash equivalents	5,420,353	2,211,813	617,277
Other assets	695,312	810,867	674,371
Deferred financing costs (net of accumulated amortization of $418,102, $249,893, and $84,715 as of September 30, 2009, December 31, 2008 and 2007, respectively)	2,076,898	1,760,107	1,377,935
Total assets	$ 84,581,712	$ 71,234,375	$ 68,232,880
LIABILITIES, MEMBERS EQUITY AND PARTNERS CAPITAL			
SBIC debentures	$ 70,000,000	$ 50,000,000	$ 39,800,000
Bank line of credit			3,000,000
Interest payable	285,037	1,074,330	735,225
Accounts payable and other liabilities	168,722	201,237	72,083
Total liabilities	70,453,759	51,275,567	43,607,308
Commitments and contingencies			
Members equity (General Partner)	(496,341)	(496,341)	(368,290)
Limited Partners capital	14,624,294	20,455,149	24,993,862
Total members equity and partners capital	14,127,953	19,958,808	24,625,572
Total liabilities, members equity and partners capital	$ 84,581,712	$ 71,234,375	$ 68,232,880

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL II, LP

Combined Statements of Operations

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Years Ended December 31, 2008	Years Ended December 31, 2007
	(Unaudited)			
INVESTMENT INCOME:				
Interest, fee and dividend income	$ 6,487,873	$ 6,598,918	$ 8,962,776	$ 6,490,402
Interest from marketable securities, idle funds and other	200,186	105,354	139,801	177,186
Total investment income	6,688,059	6,704,272	9,102,577	6,667,588
EXPENSES:				
Management fees to affiliate	(2,493,900)	(2,493,900)	(3,325,200)	(2,556,300)
Interest	(2,924,791)	(2,461,549)	(3,319,480)	(1,483,282)
General and administrative	(118,219)	(134,627)	(178,198)	(152,977)
Total expenses	(5,536,910)	(5,090,076)	(6,822,878)	(4,192,559)
NET INVESTMENT INCOME (LOSS)	1,151,149	1,614,196	2,279,699	2,475,029
NET REALIZED GAIN (LOSS) FROM INVESTMENTS:	474,880	787,750	(1,973,970)	953,334
NET REALIZED INCOME (LOSS)	1,626,029	2,401,946	305,729	3,428,363
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) FROM INVESTMENTS:	(6,616,884)	(3,347,699)	(3,882,491)	(4,005,154)
NET INCREASE (DECREASE) IN MEMBERS EQUITY AND PARTNERS CAPITAL RESULTING FROM OPERATIONS	$ (4,990,855)	$ (945,753)	$ (3,576,762)	$ (576,791)

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL II, LP

Combined Statements of Changes in Members Equity and Partners Capital

	Members Equity (General Partner)	Limited Partners Capital	Total
Balances at December 31, 2006	$ 242,103	$ 22,007,347	$ 22,249,450
Capital contributions		6,142,668	6,142,668
Distributions	(492,792)	(2,696,963)	(3,189,755)
Net decrease resulting from operations:			
Net investment income	503,788	1,971,241	2,475,029
Net realized gain from investments	194,111	759,223	953,334
Net change in unrealized depreciation from investments	(815,500)	(3,189,654)	(4,005,154)
Balances at December 31, 2007	(368,290)	24,993,862	24,625,572
Distributions	(3,066)	(1,086,936)	(1,090,002)
Net decrease resulting from operations:			
Net investment income	462,192	1,817,507	2,279,699
Net realized loss from investments	(400,488)	(1,573,482)	(1,973,970)
Net change in unrealized depreciation from investments	(186,689)	(3,695,802)	(3,882,491)
Balances at December 31, 2008	(496,341)	20,455,149	19,958,808
Distributions (unaudited)	(3,894)	(836,106)	(840,000)
Net decrease resulting from operations:			
Net investment income (unaudited)	233,360	917,789	1,151,149
Net realized loss from investments (unaudited)	96,346	378,534	474,880
Net change in unrealized depreciation from investments (unaudited)	(325,812)	(6,291,072)	(6,616,884)
Balances at September 30, 2009 (Unaudited)	$ (496,341)	$ 14,624,294	$ 14,127,953

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL II, LP

Combined Statements of Cash Flows

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Years Ended December 31, 2008	Years Ended December 31, 2007
	(Unaudited)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net decrease in net assets resulting from operations:	$ (4,990,855)	$ (945,753)	$ (3,576,762)	$ (576,791)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:				
Net change in unrealized depreciation from investments	6,616,884	3,347,699	3,882,491	4,005,154
Net realized (gain) loss from investments	(474,880)	(787,750)	1,973,970	(953,334)
Accretion of unearned income	(434,251)	(884,212)	(996,918)	(388,406)
Net payment-in-kind interest accrual	(343,972)	(335,176)	(310,345)	(353,154)
Amortization of deferred financing costs	168,209	122,428	165,178	44,455
Deferred debt origination fees received and other	(143,976)	131,049	282,909	885,346
Changes in other assets and liabilities:				
Other assets	75,555	165,749	(96,497)	(445,081)
Interest payable	(789,293)	(469,762)	339,105	646,466
Accounts payable and other liabilities	(32,515)	29,016	129,154	(28,203)
Net cash provided by (used in) operating activities	(349,094)	373,288	1,792,285	2,836,452
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments in portfolio companies	(10,134,167)	(11,138,061)	(20,338,062)	(48,143,082)
Investments in marketable securities and idle funds investments	(16,646,000)			
Proceeds from marketable securities and idle funds investments	8,500,000			
Principal payments received on loans and debt securities	3,162,801	13,610,251	13,993,665	2,474,446
Proceeds from sale of equity securities and related notes		287,000	584,000	1,195,000
Net cash provided by (used in) investing activities	(15,117,366)	2,759,190	(5,760,397)	(44,473,636)
CASH FLOWS FROM FINANCING ACTIVITIES				

Proceeds from partner s capital contributions				6,140,611
Distributions to members and partners	(840,000)	(849,999)	(1,090,002)	(3,187,698)
Proceeds from issuance of SBIC debentures	20,000,000	10,200,000	10,200,000	33,200,000
Proceeds from bank line of credit				3,000,000
Payment of bank line of credit		(3,000,000)	(3,000,000)	
Payment of deferred loan costs and SBIC debenture fees	(485,000)	(547,350)	(547,350)	(1,105,100)
Net cash provided by financing activities	18,675,000	5,802,651	5,562,648	38,047,813
Net increase (decrease) in cash and cash equivalents	3,208,540	8,935,129	1,594,536	(3,589,371)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,211,813	617,277	617,277	4,206,648
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,420,353	$ 9,552,406	$ 2,211,813	$ 617,277

The accompanying notes are an integral part of these financial statements

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Control Investments(2)				
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	$ 1,600,000	$ 1,574,413	$ 1,574,413
Class B Member Units (Non-voting)			105,001	105,001
Member Units (Fully diluted 28.0%)			800,000	740,000
			2,479,414	2,419,414
Gulf Manufacturing, LLC	Industrial Metal			
Prime plus 1% Secured Debt (Maturity August 31, 2012)	Fabrication	1,800,000	1,788,798	1,800,000
13% Secured Debt (Maturity August 31, 2012)		1,800,000	1,679,261	1,770,000
Member Units(6) (Fully diluted 27.6%)			708,000	3,540,000
Warrants (Fully diluted 12.6%)			240,000	1,620,000
			4,416,059	8,730,000
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,566,000	1,557,004	1,566,000
13% current/6% PIK Secured Debt (Maturity November 14, 2011)		1,576,852	1,547,968	1,576,852
Member Units(6) (Fully diluted 36.5%)			564,000	435,000
			3,668,972	3,577,852
Mid-Columbia Lumber Products, LLC	Specialized Lumber Products			
Prime Plus 1% Secured Debt (Maturity June 30, 2010)		375,000	372,500	372,500
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,690,378	3,690,378
Member Units (Fully diluted 26.7%)			500,000	300,000
Warrants (Fully diluted 25.5%)			250,000	290,000
			4,812,878	4,652,878
The MPI Group, LLC	Manufacturer of Custom			
9% Secured Debt (Maturity October 2, 2013)	Hollow Metal Doors,	200,000	198,459	198,459
12% Secured Debt (Maturity October 2, 2013)	Frames and Accessories	5,000,000	4,775,870	4,775,870
Warrants (Fully diluted 47.1%)			895,943	623,000

			5,870,272	5,597,329
Universal Scaffolding & Equipment, LLC	Manufacturer of Scaffolding			
Prime plus 1% Secured Debt (Maturity August 17, 2012)(7)	and Shoring Equipment	1,748,250	1,736,715	1,736,715
13% current/5% PIK Secured Debt (Maturity August 17, 2012)		7,014,135	6,923,783	44,160
Member Units (Fully diluted 38.2%)			2,060,438	
			10,720,936	1,780,875
Vision Interests, Inc.	Manufacturer/			
13% Secured Debt (Maturity June 5, 2012)	Installer of Commercial	5,640,000	5,416,247	4,830,000
Common Stock (Fully diluted 13.4%)	Signage		558,000	
Warrants (Fully diluted 16.8%)			240,000	
			6,214,247	4,830,000
Subtotal Control Investments			38,182,778	31,588,348

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Affiliate Investments(3)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor			
12% Secured Debt (Maturity February 5, 2012)	of Wood Doors	4,600,000	4,431,899	2,910,000
Warrants (Fully diluted 18.3%)			146,752	
			4,578,651	2,910,000
Carlton Global Resources, LLC	Processor of			
13% PIK Secured Debt (Maturity November 15, 2011)	Industrial Minerals	7,187,915	6,942,264	
Member Units (Fully diluted 12.8%)			600,000	
			7,542,264	
California Healthcare Medical Billing, Inc.	Healthcare Billing and Records			
12% Secured Debt (Maturity October 17, 2013)	Management	893,000	741,028	805,808
Common Stock (Fully diluted 3.8%)			247,000	475,000
Warrants (Fully diluted 7.6%)			152,000	715,667
			1,140,028	1,996,475
CBT Nuggets, LLC	Produces and Sells			
14% Secured Debt (Maturity December 31, 2013)	IT Certification	1,120,000	1,082,793	1,120,000
10% Secured Debt (Maturity March 31, 2012)	Training Videos	610,000	610,000	610,000
10% Secured Debt (Maturity March 31, 2010)		40,000	40,000	40,000
Member Units(6) (Fully diluted 16.3%)			199,680	926,667
			1,932,473	2,696,667
Condit Exhibits, LLC	Tradeshow Exhibits/			
13% current/5% PIK Secured Debt (Maturity July 1, 2013)	Custom Displays	1,649,230	1,624,362	1,624,362
Warrants (Fully diluted 18.8%)			200,000	20,000
			1,824,362	1,644,362
Hawthorne Customs & Dispatch Services, LLC	Transportation/ Logistics	275,000	264,465	264,465

13% Secured Debt (Maturity January 31, 2011)				
Member Units(6) (Fully diluted 14.8%)			137,500	280,000
			401,965	544,465
Indianapolis Aviation Partners, LLC	FBO/Aviation Support Services			
12% Secured Debt (Maturity September 15, 2014)		1,880,000	1,692,838	1,692,838
Warrants (Fully diluted 12.1%)			451,714	451,714
			2,144,552	2,144,552
Lighting Unlimited, LLC	Commercial and Residential			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(7)	Lighting Products and	1,233,333	1,225,742	1,225,742
14% Secured Debt (Maturity August 22, 2012)	Design Services	1,600,000	1,545,081	1,545,081
Warrants (Fully diluted 15.0%)			50,000	50,000
			2,820,823	2,820,823

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Olympus Building Services, Inc.	Custodial/Facilities Services			
12% Secured Debt (Maturity March 27, 2014)		1,260,000	1,143,600	1,220,000
Warrants (Fully diluted 9.0%)			100,000	266,667
			1,243,600	1,486,667
OMi Holdings, Inc.	Manufacturer of Overhead Cranes			
12% Secured Debt (Maturity April 1, 2013)		4,228,000	4,193,827	4,193,827
Common Stock (Fully diluted 19.2%)			600,000	260,000
			4,793,827	4,453,827
Schneider Sales Management, LLC	Sales Consulting and Training			
13% Secured Debt (Maturity October 15, 2013)		1,320,000	1,271,131	1,271,131
Warrants (Fully diluted 8.0%)			30,000	
			1,301,131	1,271,131
Thermal & Mechanical Equipment, LLC	Heat Exchange/Filtration Products and Services			
13% current/5% PIK Secured Debt (Maturity September 25, 2014)		2,201,833	2,158,268	2,158,268
Prime plus 2% Secured Debt (Maturity September 25, 2014)(7)		700,000	693,090	693,090
Warrants (Fully diluted 20.0%)			400,000	400,000
			3,251,358	3,251,358
Walden Smokey Point, Inc.	Specialty Transportation/ Logistics			
14% current/4% PIK Secured Debt (Maturity December 30, 2013)		3,297,422	3,238,590	3,238,590
Common Stock (Fully diluted 5.0%)			400,000	600,000
			3,638,590	3,838,590
Ziegler s NYPD, LLC	Casual Restaurant Group			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(7)		400,000	396,660	396,660
13% current/5% PIK Secured Debt (Maturity October 1, 2013)		1,872,362	1,841,519	1,841,519
Warrants (Fully diluted 19.0%)			240,000	240,000
			2,478,179	2,478,179
Other			303,696	303,696

Subtotal Affiliate Investments	39,395,499	31,840,792

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
September 30, 2009
(Unaudited)

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Non-Control/Non-Affiliate Investments(4):				
Audio Messaging Solutions, LLC	Audio Messaging			
12% Secured Debt (Maturity May 8, 2014)	Services	2,273,600	2,096,995	2,096,995
Warrants (Fully diluted 3.4%)			143,360	253,334
			2,240,355	2,350,329
Compact Power Equipment Centers, LLC	Light to Medium Duty			
12% Secured Debt (Maturity September 23, 2014)	Equipment Rental	211,765	211,765	211,765
Member Units (Fully diluted 4.6%)			458	458
			212,223	212,223
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 1.8%)			70,000	199,231
KBK Industries, LLC	Specialty Manufacturer			
14% Secured Debt (Maturity January 23, 2011)	of Oilfield and	1,312,500	1,274,176	1,274,176
8% Secured Debt (Maturity March 1, 2010)	Industrial Products	62,500	62,500	62,500
8% Secured Debt (Maturity March 31, 2010)		150,000	150,000	150,000
Member Units(6) (Fully diluted 4.8%)			62,500	90,000
			1,549,176	1,576,676
Support Systems Homes, Inc.	Manages Substance Abuse Treatment			
15% Secured Debt (Maturity August 21, 2018)	Centers	350,139	350,139	350,139
Subtotal Non-Control/Non-Affiliate Investments			4,421,893	4,688,598
Total Portfolio Investments, September 30, 2009			$ 82,000,170	$ 68,117,738
Marketable Securities and Idle Funds Investments	Investments in Secured			
Apria Healthcare Group Inc. Senior Secured Notes	Debt Investments and	$ 4,800,000	$ 4,893,707	$ 5,021,411
11.25% (Maturity November 1, 2014)	Certificates of Deposit			
1.65% Certificate of Deposit (Maturity December 11, 2009)		1,000,000	1,000,000	1,000,000

1.15% Certificate of Deposit (Maturity December 7, 2009)	2,250,000	2,250,000	2,250,000
		$ 8,143,707	$ 8,271,411

(1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act) as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(3) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

(4) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(5) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(6) Income producing through payment of dividends or distributions.

(7) Subject to contractual minimum interest rates.

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Control Investments(2)				
CBT Nuggets, LLC	Produces and Sells			
14% Secured Debt (Maturity June 1, 2011)	IT Certification	$ 1,120,000	$ 1,068,861	$ 1,120,000
10% Secured Debt (Maturity December 31, 2009)	Training Videos	100,000	100,000	100,000
Member Units(6) (Fully diluted 19.4%)			288,000	1,083,333
Warrants (Fully diluted 7.0%)			48,000	333,333
			1,504,861	2,636,666
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	1,600,000	1,570,654	1,570,654
Member Units (Fully diluted 28.0%)			800,000	866,667
			2,370,654	2,437,321
Gulf Manufacturing, LLC	Industrial Metal			
Prime plus 1% Secured Debt (Maturity August 31, 2012)	Fabrication	1,800,000	1,786,146	1,800,000
13% Secured Debt (Maturity August 31, 2012)		2,850,000	2,621,665	2,820,000
Member Units(6) (Fully diluted 27.6%)			708,000	1,650,000
Warrants (Fully diluted 12.6%)			240,000	825,000
			5,355,811	7,095,000
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,566,000	1,551,604	1,566,000
13% current/6% PIK Secured Debt (Maturity November 14, 2011)		1,506,886	1,470,595	1,506,886
Member Units(6) (Fully diluted 36.5%)			564,000	570,000
			3,586,199	3,642,886
Mid-Columbia Lumber Products, LLC	Specialized Lumber Products			
Prime Plus 1% Secured Debt (Maturity June 30, 2010)		1,000,000	995,000	995,000
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,630,919	3,280,000
Member Units (Fully diluted 26.7%)			500,000	
Warrants (Fully diluted 25.5%)			250,000	
			5,375,919	4,275,000

The MPI Group, LLC	Manufacturer of Custom			
9% Secured Debt (Maturity October 2, 2013)	Hollow Metal Doors,	200,000	198,233	198,233
12% Secured Debt (Maturity October 2, 2013)	Frames and Accessories	5,000,000	4,745,134	4,745,134
Warrants (Fully diluted 45.0%)			700,000	963,000
			5,643,367	5,906,367
Universal Scaffolding & Equipment, LLC	Manufacturer of Scaffolding and Shoring Equipment			
Prime plus 1% Secured Debt (Maturity August 17, 2012)(7)		1,831,500	1,817,457	1,817,457
13% current/5% PIK Secured Debt (Maturity August 17, 2012)		6,984,065	6,880,454	6,563,078
Member Units (Fully diluted 38.2%)			2,060,439	
			10,758,350	8,380,535
Vision Interests, Inc.	Manufacturer/			
13% Secured Debt (Maturity June 5, 2012)	Installer of Commercial	5,640,000	5,368,675	5,368,675
Common Stock (Fully diluted 13.4%)	Signage		558,000	630,000
Warrants (Fully diluted 16.8%)			240,000	630,000
			6,166,675	6,628,675
Subtotal Control Investments			40,761,836	41,002,450

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Affiliate Investments(3)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor of Wood Doors			
12% Secured Debt (Maturity February 5, 2012)		4,600,000	4,400,427	4,400,427
Warrants (Fully diluted 18.3%)			146,752	
			4,547,179	4,400,427
Carlton Global Resources, LLC	Processor of Industrial Minerals			
13% PIK Secured Debt (Maturity November 15, 2011)		7,187,915	6,942,264	
Member Units (Fully diluted 12.8%)			600,000	
			7,542,264	
California Healthcare Medical Billing, Inc.	Healthcare Services			
12% Secured Debt (Maturity October 17, 2013)		893,000	722,887	722,887
Common Stock (Fully diluted 3.8%)			247,000	247,000
Warrants (Fully diluted 7.6%)			152,000	152,000
			1,121,887	1,121,887
Condit Exhibits, LLC	Tradeshow Exhibits/ Custom Displays			
13% current/5% PIK Secured Debt (Maturity July 1, 2013)		1,538,716	1,510,627	1,510,627
Warrants (Fully diluted 18.8%)			200,000	200,000
			1,710,627	1,710,627
Hawthorne Customs & Dispatch Services, LLC	Transportation/ Logistics			
13% Secured Debt (Maturity January 31, 2011)		400,000	383,175	383,175
Member Units(6) (Fully diluted 9.3%)			125,000	145,000
Warrants (Fully diluted 5.5%)			12,500	76,667
			520,675	604,842
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(7)		1,533,333	1,521,905	1,521,905
14% Secured Debt (Maturity August 22, 2012)		1,600,000	1,534,366	1,534,366
Warrants (Fully diluted 15.0%)			50,000	50,000

			3,106,271	3,106,271
OMi Holdings, Inc.	Manufacturer of			
12% Secured Debt (Maturity April 1, 2013)	Overhead Cranes	4,440,000	4,398,049	4,398,049
Common Stock (Fully diluted 19.2%)			600,000	380,000
			4,998,049	4,778,049
Schneider Sales Management, LLC	Sales Consulting			
13% Secured Debt (Maturity October 15, 2013)	and Training	1,320,000	1,264,901	1,264,901
Warrants (Fully diluted 8.0%)			30,000	30,000
			1,294,901	1,294,901
Walden Smokey Point, Inc.	Specialty Transportation/			
14% current/4% PIK Secured Debt (Maturity December 30, 2013)	Logistics	3,200,355	3,136,356	3,136,356
Common Stock (Fully diluted 5.0%)			400,000	400,000
			3,536,356	3,536,356
Ziegler s NYPD, LLC	Casual Restaurant			
Prime plus 2% Secured Debt (Maturity October 1, 2013)(7)	Group	600,000	396,159	396,159
13% current/5% PIK Secured Debt (Maturity October 1, 2013)		2,704,262	1,768,350	1,768,350
Warrants (Fully diluted 19.0%)			240,000	240,000
			2,404,509	2,404,509
Subtotal Affiliate Investments			30,782,718	22,957,869

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2008

Portfolio Company/Type of Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Non-Control/Non-Affiliate Investments(4):				
East Teak Fine Hardwoods, Inc.	Hardwood Products			
Common Stock (Fully diluted 1.8%)			70,000	263,846
KBK Industries, LLC	Specialty Manufacturer			
14% Secured Debt (Maturity January 23, 2011)	of Oilfield and	1,312,500	1,255,789	1,312,500
8% Secured Debt (Maturity March 1, 2010)	Industrial Products	156,250	156,250	156,250
8% Secured Debt (Maturity March 31, 2009)		150,000	150,000	150,000
Member Units(6) (Fully diluted 4.8%)			62,500	258,333
			1,624,539	1,877,083
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
15% Secured Debt (Maturity August 21, 2018)		350,340	350,340	350,340
Subtotal Non-Control/Non-Affiliate Investments			2,044,879	2,491,269
Total Portfolio Investments, December 31, 2008			$ 73,589,433	$ 66,451,588

(1) Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(3) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

(4) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(5) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(6) Income producing through payment of dividends or distributions.

(7) Subject to contractual minimum interest rates.

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2007

Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Control Investments (2)				
CBT Nuggets, LLC	Produces and Sells IT Certification Training Videos			
Prime plus 2% Secured Debt (Maturity June 1, 2011)		$ 240,000	$ 222,995	$ 222,995
14% Secured Debt (Maturity June 1, 2011)		1,240,000	1,165,343	1,165,343
Member Units (Fully diluted 19.4%)			288,000	763,333
Warrants (Fully diluted 7.0%)			48,000	230,000
			1,724,338	2,381,671
Gulf Manufacturing, LLC	Industrial Metal Fabrication			
Prime plus 1% Secured Debt (Maturity August 31, 2012)		1,800,000	1,782,954	1,782,954
13% Secured Debt (Maturity August 31, 2012)		3,000,000	2,713,824	2,713,824
Member Units (Fully diluted 27.6%)			708,000	708,000
Warrants (Fully diluted 12.6%)			240,000	375,000
			5,444,778	5,579,778
Jensen Jewelers of Idaho, LLC	Retail Jewelry			
Prime Plus 2% Secured Debt (Maturity November 14, 2011)		1,800,000	1,771,200	1,771,200
13% current/6% PIK Secured Debt (Maturity November 14, 2011)		1,604,186	1,552,233	1,552,233
Member Units(6) (Fully diluted 37.6%)			564,000	1,222,500
			3,887,433	4,545,933
Mid-Columbia Lumber Products, LLC	Specialized Lumber Products			
Prime Plus 1% Secured Debt (Maturity June 30, 2010)		500,000	491,667	491,667
12% Secured Debt (Maturity December 18, 2011)		3,900,000	3,560,413	3,400,000
Member Units (Fully diluted 19.44%)			300,000	
Warrants (Fully diluted 28.0%)			250,000	
			4,602,080	3,891,667
The MPI Group, LLC	Manufacturer of Custom Hollow Metal Doors,			
12% Secured Debt (Maturity October 2, 2013)		5,000,000	4,708,461	4,708,461
Warrants (Fully diluted 25.0%)			500,000	500,000

	Frames and Accessories			
Warrants (Fully diluted 20.0%)			200,000	200,000
			5,408,461	5,408,461
Universal Scaffolding & Equipment, LLC	Manufacturer of Scaffolding and Shoring Equipment			
Prime plus 1% Secured Debt (Maturity August 16, 2012)(7)		2,330,999	2,309,001	2,309,001
13% current/5% PIK Secured Debt (Maturity August 16, 2012)		6,638,627	6,514,576	6,514,576
Member Units (Fully Diluted 38.1%)			2,060,438	2,128,846
			10,884,015	10,952,423
Vision Interests, Inc.	Manufacturer/ Installer of Commercial Signage			
13% Secured Debt (Maturity June 5, 2012)		5,640,000	5,312,493	5,312,493
Common stock (Fully diluted 13.4%)			558,000	558,000
Warrants (Fully diluted 16.8%)			240,000	562,500
			6,110,493	6,432,993
Subtotal Control Investments			38,061,598	39,192,926

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2007

Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Affiliate Investments (3)				
Advantage Millwork Company, Inc.	Manufacturer/Distributor of Wood Doors			
12% Secured Debt (Maturity February 5, 2012)		4,000,000	3,781,013	3,781,013
Warrants (Fully diluted 16.3%)			130,720	130,720
			3,911,733	3,911,733
Carlton Global Resources, LLC	Processor of Industrial Minerals			
13% PIK Secured Debt (Maturity November 15, 2011)		7,031,666	6,792,264	3,903,786
Member Units (Fully diluted 12.8%)			600,000	
			7,392,264	3,903,786
Hawthorne Customs & Dispatch Services, LLC	Transportation/ Logistics			
13% Secured Debt (Maturity January 31, 2011)		450,000	425,302	425,302
Member Units(6) (Fully diluted 9.3%)			125,000	145,000
Warrants (Fully diluted 5.5%)			12,500	76,667
			562,802	646,969
Lighting Unlimited, LLC	Commercial and Residential Lighting Products and Design Services			
Prime Plus 1% Secured Debt (Maturity August 22, 2012)(7)		1,900,000	1,881,059	1,881,059
14% Secured Debt (Maturity August 22, 2012)		1,600,000	1,521,796	1,521,796
Warrants (Fully diluted 15.0%)			50,000	50,000
			3,452,855	3,452,855
Talen s Marine and Fuel, Inc.	Fuel Supplier Servicing Primarily the Marine Markets			
13% Secured Debt (Maturity September 9, 2012)		7,050,000	6,663,288	6,663,288
Warrants (Fully diluted 14.0%)			262,000	262,000
			6,925,288	6,925,288
Wicks N More, LLC	Manufacturer of High-end Candles			
12% Secured Debt (Maturity April 26, 2011)		2,480,000	2,285,667	1,114,867
Member Units (Fully diluted 7.7%)			240,000	
Warrants (Fully diluted 14.2%)			140,000	

	2,665,667	1,114,867
Subtotal Affiliate Investments	24,910,609	19,955,498

S-86

Table of Contents

MAIN STREET CAPITAL II, LP

COMBINED SCHEDULE OF INVESTMENTS
December 31, 2007

Investment(1)	Industry	Principal(5)	Cost(5)	Fair Value
Non-Control/Non-Affiliate Investments (4):				
East Teak Fine Hardwoods, Inc.	Hardwood Products			
13% Current/5.5% PIK Secured Debt (Maturity April 13, 2011)		889,015	871,647	871,647
Common Stock (Fully diluted 1.8%)			70,000	263,846
			941,647	1,135,493
KBK Industries, LLC	Specialty Manufacturer of Oilfield and Industrial Products			
14% Secured Debt (Maturity January 23, 2011)		1,312,500	1,234,310	1,234,310
8% Secured Debt (Maturity July 1, 2009)		207,688	207,688	207,688
Prime Plus 2% Secured Debt (Maturity January 31, 2008)			25,000	228,750
Member Units(6) (Fully diluted 4.8%)			62,500	233,333
			1,529,498	1,904,081
Support Systems Homes, Inc.	Manages Substance Abuse Treatment Centers			
14% Current/4% PIK Secured Debt (Maturity June 5, 2012)		2,288,511	2,238,737	2,238,737
8% Secured Debt (Maturity June 5, 2012)		238,332	235,521	235,521
			2,474,258	2,474,258
Turbine Air Systems, Ltd.	Commercial and Industrial Chilling Systems			
12% Secured Debt (Maturity October 11, 2011)		1,000,000	901,041	901,041
Subtotal Non-Control/Non-Affiliate Investments			5,846,444	6,414,873
Total Portfolio Investments, December 31, 2007			$ 68,818,651	$ 65,563,297

(1)

Debt investments are generally income producing. Equity and warrants are non-income producing, unless otherwise noted.

(2) Controlled investments are defined by the Investment Company Act of 1940, as amended (1940 Act), as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.

(3) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned.

(4) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control Investments nor Affiliate Investments.

(5) Principal is net of prepayments. Cost is net of prepayments and accumulated unearned income.

(6) Income producing through payment of dividends or distributions.

(7) Subject to contractual minimum interest rates.

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements
(information at September 30, 2009 and for the nine months ended
September 30, 2009 and 2008 is unaudited)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION:

Organization

Main Street Capital II, LP (the Fund), a Delaware limited partnership, was formed on June 30, 2005 for the purpose of providing private financing to lower middle market companies. The Fund began capital raising in 2005 and commenced investment operations in January 2006. The general partner is Main Street Capital II GP, LLC, a Delaware limited liability company (the General Partner). The Fund s investments are managed by Main Street Capital Partners, LLC (the Investment Manager). The General Partner and the Investment Manager are affiliated through common management.

On January 19, 2006, the Fund was granted a license to operate as a Small Business Investment Company (SBIC) pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, and the regulations thereunder (the SBIC Act). As of September 30, 2009 and December 31, 2008 and 2007, the Fund had issued $70,000,000, $50,000,000, and $39,800,000, respectively, in debentures through the SBIC program.

Basis of Presentation

The Fund s combined financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Fund s results of operations and cash flows for the nine months ended September 30, 2009 and 2008 and for the years ended December 31, 2008 and 2007, and financial position as of September 30, 2009 and December 31, 2008 and 2007, are presented on a combined basis with the accounts of the General Partner. The effects of all intercompany transactions between the Fund and the General Partner have been eliminated. The total assets of the General Partner after eliminations were immaterial for all periods presented. Marketable securities and idle funds investments are classified as financial instruments and are reported separately on the Fund s Combined Balance Sheets and Combined Schedule of Investments due to the nature of such investments. To allow for more relevant disclosure of the Fund s core investment portfolio, core portfolio investments, as used herein, refers to all of the Fund s portfolio investments excluding all Marketable securities and idle funds investments.

In connection with valuing portfolio investments, marketable securities and idle funds investments, the Fund adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820) in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The Fund accounts for these investments at fair value.

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and the Audit and Accounting Guide for Investment Companies issued by the American Institute of Certified Public Accountants (the AICPA Guide), the Fund is precluded from consolidating portfolio company investments, including those in which it has a controlling interest, unless the portfolio company is another investment company. An exception to this general principle in the AICPA Guide occurs if the Fund owns a controlled operating company that provides all or substantially all of its services directly to the Fund or to an investment company of the Fund. None of the investments made by the Fund qualify for this exception. Therefore, the Fund s portfolio investments are carried on the balance sheet at fair value, as discussed further in Note 2, with any adjustments to fair value recognized as Net Change in Unrealized Appreciation (Depreciation) from Investments on the Statement of Operations until the investment is disposed of, resulting in any gain or loss on exit being recognized as a Net Realized Gain (Loss) from Investments.

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

Unaudited Interim Results

The accompanying interim combined balance sheet and schedule of investments as of September 30, 2009 and the interim combined statements of operations and cash flows for the nine months ended September 30, 2009 and 2008, and the interim combined statement of changes in members equity and partners capital for the nine months ended September 30, 2009 are all unaudited interim financial statements. These unaudited interim financial statements have been prepared on the same basis as the accompanying annual audited financial statements and, in the opinion of management, reflect all adjustments (which include normal, recurring adjustments) necessary to present fairly the combined accounts of the Fund and the General Partner for such interim periods. The interim results as of and for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be achieved for the full year ended December 31, 2009.

Portfolio Investment Classification

The Fund classifies its portfolio investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, Control Investments are defined as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained. Under the 1940 Act, Affiliate Investments are defined as investments in which between 5% and 25% of the voting securities are owned. Under the 1940 Act, Non-Control/Non-Affiliate Investments are defined as investments that are neither Control investments nor Affiliate investments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

Valuation of Investments

The Fund accounts for its core portfolio investments at fair value. As a result, the Fund adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures*, in the first quarter of 2008. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires the Fund to assume that the portfolio investment is to be sold in the principal market to independent market participants, or in the absence of a principal market, in the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. With the adoption of this statement, the Fund incorporated the income approach to estimate the fair value of its core portfolio debt investments principally using a yield-to-maturity model. The adoption of ASC 820 did not have a significant impact on the core investment portfolio fair value determination.

The Fund s core business plan calls for it to invest primarily in illiquid securities issued by private companies. These core investments may be subject to restrictions on resale and will generally have no established trading market. As a result, the Fund determines in good faith the fair value of its portfolio investments pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by the General Partner and in accordance with the 1940 Act. The Fund reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process. The Fund s valuation policy and process are intended to provide a consistent basis for determining the fair value of the portfolio.

For valuation purposes, control investments are composed of equity and debt securities for which the Fund has a controlling interest in the portfolio company or has the ability to nominate a majority of the portfolio company s board of directors. Market quotations are generally not readily available for the Fund s control investments. As a result, the Fund determines the fair value of control investments using a combination of market and income approaches. Under the market approach, the Fund will typically use the enterprise value methodology to determine the fair value of these investments. The enterprise value is the fair value at which

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, the Fund analyzes various factors, including the portfolio company s historical and projected financial results. The Fund allocates the enterprise value to investments in order of the legal priority of the investments. The Fund will also use the income approach to determine the fair value of these securities, based on projections of the discounted future free cash flows that the portfolio company or the debt security will likely generate. The valuation approaches for the Fund s control investments estimate the value of the investment if it were to sell, or exit, the investment, assuming the highest and best use of the investment by market participants. In addition, these valuation approaches consider the value associated with the Fund s ability to control the capital structure of the portfolio company, as well as the timing of a potential exit.

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

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

The Fund believes its investments as of September 30, 2009 and December 31, 2008 and 2007 approximate fair value as of those dates based on the market in which the Fund operates and other conditions in existence at those reporting periods.

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 income and expenses during the period. Additionally, as explained above, the financial statements include portfolio investments

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

whose values have been estimated by the General Partner in the absence of readily ascertainable market values. Because of the inherent uncertainty of the valuations, those estimated values may differ significantly from the values that would have been used had a readily available market for the investments existed, and it is reasonably possible that the differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

Partner Capital Contributions

Partner contributions are recognized when the Fund has received the amounts called against the partners capital commitment.

Interest and Dividend Income

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

While not significant to its total core portfolio, the Fund holds debt instruments in its core investment portfolio that contain payment-in-kind (PIK) interest provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment.

As of September 30, 2009, the Fund had two investments on non-accrual status, which comprised approximately 6.9% of the core investment portfolio at fair value. As of December 31, 2008, the Fund had no investments on non-accrual status. As of December 31, 2007, the Fund had two investments on non-accrual status, which comprised approximately 7.7% of the core investment portfolio at fair value.

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

Deferred Financing Costs

Deferred financing costs consist of SBIC Debenture commitment fees and SBIC Debenture leverage fees which have been capitalized and amortized into interest expense over the life of the related debt. Deferred financing costs balances as of September 30, 2009 and December 31, 2008 and 2007 are as follows:

	September 30, 2009 (Unaudited)	December 31, 2008	December 31, 2007
SBIC Debenture Commitment Fees	$ 800,000	$ 800,000	$ 500,000
SBIC Debenture Leverage Fees	1,695,000	1,210,000	962,650
Subtotal	2,495,000	2,010,000	1,462,650
Less Accumulated Amortization	(418,102)	(249,893)	(84,715)
	$ 2,076,898	$ 1,760,107	$ 1,377,935

Estimated aggregate amortization expense for each of the five years succeeding December 31, 2008 and thereafter is as follows:

Year Ending December 31,	Estimated Amortization
2009	$ 228,084
2010	247,000
2011	249,500
2012	249,500
2013	249,500
2014 and thereafter	1,021,523

Fee Income Structuring and Advisory

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

Unearned Income Debt Origination Fees and Original Issue Discount

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

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

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

Income Taxes

The Fund is taxed under the partnership provisions of the Internal Revenue Code. Under these provisions of the Code, the General Partner and Limited Partners are responsible for reporting their share of the Partnership s taxable income or loss on their income tax returns. Accordingly, the Fund is not subject to Federal or State income taxes.

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

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

Syndication Costs

Syndication costs (generally fees and expenses associated with fund raising) are deducted from partners capital as incurred.

Recently Issued Accounting Standards

In October 2008, the FASB amended ASC 820 with ASC 820-10-35-15A, *Financial Assets in a Market That Is Not Active*, to provide an illustrative example of how to determine the fair value of a financial asset in an inactive market. ASC 820-10-35-15A does not change the fair value measurement principles previously set forth. Since adopting ASC 820 in January 2008, the Fund s practices for determining the fair value of its investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in ASC 820-10-35-15A. Therefore, the Fund s adoption of the update did not affect its practices for determining the fair value of its investment portfolio and financial instruments, and its adoption did not have a material effect on its financial position or results of operations.

In April 2009, the FASB amended ASC 820 and ASC 825 with ASC 820-10-35, *Subsequent Measurement*, and ASC 825-10-65, *Transition and Open Effective Date Information.* Both amendments are effective for reporting periods ending on or after June 15, 2009. Since adopting ASC 820 and ASC 825 in January 2008, the Fund s practices for determining fair value and for disclosures about the fair value of its investment portfolio and financial instruments have been, and continue to be, consistent with the guidance provided in the amended pronouncements. Therefore, the Fund s adoption of these updates did not affect its practices for determining the fair value of its investment portfolio and financial instruments, and its adoption did not have a material effect on its financial position or results of operations.

In May 2009, the FASB amended ASC 855, *Subsequent Events* with ASC 855-10-50, *Disclosure*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10-50 includes a new required disclosure of the date through which an entity has evaluated subsequent events and is effective for interim periods or fiscal years ending after June 15, 2009. The Fund s adoption of ASC 855-10-50 did not have a material effect on its financial position or results of operations.

In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles*, which became the single official source of authoritative, nongovernmental U.S. GAAP, other than rules and interpretive releases issued by the Securities and Exchange Commission. The Codification reorganized the literature and changed the naming mechanism by which topics are referenced. ASC 105 was effective for the Fund during its interim

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

period ended September 30, 2009. The Company s accounting policies and amounts presented in the financial statements were not impacted by this change.

NOTE 3. FAIR VALUE HIERARCHY:

In accordance with ASC 820, the Fund has categorized its portfolio investments, marketable securities and idle funds 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).

Portfolio investments, marketable securities and idle funds investments, recorded on the Fund 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 the Fund 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. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the investment (for example, investments in illiquid securities issued by private companies).

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

As of September 30, 2009, all of the Fund s marketable securities and idle funds investments consisted primarily of investments in secured debt investments and certificates of deposit. The fair value determination for these investments primarily consisted of observable inputs. As a result, all of the Fund s marketable securities and idle funds investments were categorized as Level 1 as of September 30, 2009, with a fair value of $8,271,411. For the years ended December 31, 2008 and 2007, the Fund had no investments categorized as marketable securities and idle funds investments.

As of September 30, 2009 and December 31, 2008 and 2007, all of the Fund s core portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these core

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

investments primarily consisted of unobservable inputs. As a result, all of the Fund s core portfolio investments were categorized as Level 3. The fair value determination of each portfolio investment required one or more of the following unobservable inputs:

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

Current and projected financial condition of the portfolio company;

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

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

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

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

Pending debt or capital restructuring of the portfolio company;

Projected operating results of the portfolio company;

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 following table provides a summary of changes in fair value of the Fund s Level 3 portfolio investments for the nine months ended September 30, 2009 and for the year ended December 31, 2008:

	Net	Net Unrealized

Type of Investment	December 31, 2008 Fair Value	Accretion of Unearned Income	Redemptions/ Repayments(1)	New Investments(1)	Changes from Unrealized to Realized	Appreciation (Depreciation)	September 30, 2009 Fair Value
Debt	$ 56,457,409	$ 436,542	$ (3,362,895)	$ 9,773,237	$ (163,927)	$ (8,208,063)	$ 54,932,303
Equity	6,494,179			333,336	(68,346)	1,495,885	8,255,054
Warrant	3,500,000			1,230,517	(349,500)	549,364	4,930,381
	$ 66,451,588	$ 436,542	$ (3,362,895)	$ 11,337,090	$ (581,773)	$ (6,162,814)	$ 68,117,738

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

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

Type of Investment	December 31, 2007 Fair Value	Accretion of Unearned Income	Redemptions/ Repayments(1)	New Investments(1)	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	December 31, 2008 Fair Value
Debt	$ 57,153,552	$ 996,918	$ (16,464,056)	$ 17,994,888	$ 967,048	$ (4,190,941)	$ 56,457,409
Equity	6,022,858		(240,000)	2,247,000	240,000	(1,775,679)	6,494,179
Warrant	2,386,887		(402,000)	638,032	140,000	737,081	3,500,000
	$ 65,563,297	$ 996,918	$ (17,106,056)	$ 20,879,920	$ 1,347,048	$ (5,229,539)	$ 66,451,588

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

NOTE 4. PARTNERS CAPITAL CONTRIBUTIONS, ALLOCATIONS AND DISTRIBUTIONS:

As of September 30, 2009 and December 31, 2008 and 2007, the Fund had received irrevocable commitments from investors to contribute capital up to $55,470,000. The members of the General Partner also made Limited Partner commitments to the Fund. Through December 31, 2008 and 2007, the Fund also has received funding from its capital commitments totaling $27,907,668, representing approximately 50% of private capital commitments.

Net profits and losses of the Fund are allocated to the General Partner and Limited Partners as follows:

1. Net Profits:

a. First, to the Partners to the extent and proportion of net losses allocated.

b. Second, any remaining amounts of net profits, 80% to the Limited Partners and 20% to the General Partner.

2. Net Losses:

a. First, to the Partners to the extent and in proportion to net profits previously allocated.

b. Second, the remaining amount of net losses to the Partners, in proportion to the positive balances in their respective capital accounts.

3. Not withstanding a) and b):

a. If the capital account of the General Partner or any Limited Partner is reduced to an amount equal to the aggregate capital contributions of such Partner, the balance of net losses will be allocated:

i. First, to the remaining capital accounts of the General Partner and Limited Partners in proportion to their respective positive capital accounts until their account balances have been reduced to zero.

ii. Second, to the General Partner.

b. If net losses have been allocated pursuant to 3.(a). above, any net profits that are required to be allocated after such special allocation of net losses as provided pursuant to 3.(a). will be allocated:

i. First, to the General Partner until the special allocation in 3.(a).ii. is reversed and eliminated.

ii. Second, to the General Partner and Limited Partners until the effect of any such special allocation of net losses has been reversed and eliminated.

The Fund is a licensed SBIC and may make distributions of cash and/or property only at such times as permitted by the SBIC Act and as determined under the Partnership Agreement. Under the Partnership Agreement, the General Partner is entitled to 20% of the Fund s distributions, subject to a clawback

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

provision that requires the General Partner to return an amount of allocated profits and distributions to the Fund if, and to the extent that, distributions to the General Partner over the life of the Fund causes the limited partners of the Fund to receive cumulative distributions which are less than their share (approximately 80%) of the cumulative net profits of the Fund. As of September 30, 2009, the Fund had made distributions of $5,119,757.

NOTE 5. MANAGEMENT AGREEMENT:

The Fund has a management agreement with the Investment Manager, an affiliate of the General Partner due to common management. The Investment Manager is 100% owned by Main Street Capital Corporation. The Investment Manager manages the day-to-day activities of the Fund. The Investment Manager pays normal operating expenses, except those specifically required to be borne by the Fund. The expenses paid by the Investment Manager include the cost of office space, equipment and personnel required for the Fund s day-to-day operations. The expenses that are paid by the Fund include certain transaction costs incidental to the acquisition and disposition of investments, management fees to the Investment Manager, organizational costs, offering costs, SBIC leverage fees, certain insurance and accounting costs and other expenses as defined by the Partnership Agreement.

For the five year period following the SBIC license approval, as compensation for its services, the Fund will pay the Investment Manager each fiscal quarter in advance, 0.50% of the sum of i) the Fund s Regulatory Capital, as defined, as of the first day of the fiscal quarter, ii) any Permitted Distribution as defined by the Partnership Agreement, and iii) for so long as the Fund is an SBIC, an assumed two tiers (two times) of SBIC Debenture leverage.

Following the initial five year period after SBIC license approval, the Fund will pay the Investment Manager, each fiscal quarter in advance, 0.50% of the Active Investments made by the Fund, as defined by the Partnership Agreement.

The Fund will not pay any management compensation with respect to any fiscal year in excess of the amount of management compensation approved by the U.S. Small Business Administration (SBA) and in conformance with the Partnership Agreement. The management fees for the years ended December 31, 2008 and 2007 were $3,325,200 and $2,556,300, respectively. The management fees for the nine months ended September 30, 2009 and 2008 were $2,493,900 for both respective periods. The fees for 2008 and 2007 exclude $0 and $526,050, respectively, which were voluntarily waived by the Investment Manager.

NOTE 6. CONCENTRATIONS OF CREDIT RISK:

The Fund places its cash in financial institutions, and at times, such balances may be in excess of the FDIC limit.

NOTE 7. SBIC DEBENTURES:

As described in Note 1, the Fund has issued SBIC Debentures through September 30, 2009 totaling $70,000,000. As of September 30, 2009, the fund has unused commitments from the SBA to draw down additional leverage in amounts up to $10,000,000, expiring September 30, 2012. The Fund paid a 1% fee for these commitments. The ability to draw on these commitments is contingent on the SBA s approval of the leverage at each draw application and the Fund s adherence to the SBIC regulations. The Fund is subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these SBA examinations.

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

SBIC Debentures payable at September 30, 2009 and at December 31, 2008 and 2007 consist of the following:

	Amount	Pooling Date	Maturity Date	Fixed Interest Rate
	$ 5,000,000	9/27/2006	9/1/2016	6.48%
	7,100,000	3/28/2007	3/1/2017	6.32%
	19,800,000	9/26/2007	9/1/2017	6.43%
	7,900,000	9/26/2007	9/1/2017	6.47%
Balance at December 31, 2007	39,800,000			
	10,200,000	3/26/2008	3/1/2018	6.38%
Balance at December 31, 2008	50,000,000			
	20,000,000	9/22/2009	9/1/2019	4.95%
Balance at September 30, 2009	$ 70,000,000			

The stated fixed interest rates include an SBA annual charge on top of the prevailing market rates. SBIC Debentures are pooled twice a year, in March and September. Accordingly, the long-term interest rate of the fundings will be fixed on the applicable pooling date and the draws will bear a short term interim financing rate until the applicable pooling date.

SBIC Debentures provide for interest to be paid semi-annually. For the nine months ended September 30, 2009 and 2008, the Fund paid $3,530,817 and $2,748,644, respectively, of interest on the outstanding SBIC Debentures. In 2008 and 2007, the Fund paid $2,748,644 and $695,003, respectively, of interest on the outstanding SBIC Debentures. As of September 30, 2009, and as of December 31, 2008 and 2007, the weighted average interest rate on the SBIC Debentures was 6.0%, 6.4% and 6.4%, respectively.

NOTE 8. BANK LINE OF CREDIT:

The Fund has a $5,000,000 unsecured revolving line of credit with a financial institution to bridge funding for investments. The annual interest rate for this line of credit is the prime rate plus 1%, with a maturity date in April 2010. For the nine months ended September 30, 2009 and 2008, the Fund paid interest and financing fees on the line of credit totaling $15,070 and $60,267, respectively. For the years ended December 31, 2008 and 2007, the Fund paid interest and financing fees on the line of credit totaling $66,587 and $96,389, respectively.

The line of credit is personally guaranteed by the controlling principals of the General Partner. As of September 30, 2009, the Fund had $0 outstanding balance on the line of credit. As of December 31, 2008 and 2007, the Fund had a $0 and $3,000,000, respectively, outstanding balance on the line of credit.

NOTE 9. COMMITMENTS:

At September 30, 2009, the Fund had two outstanding commitments to fund unused revolving loans for up to $600,000 in total.

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

NOTE 10. FINANCIAL HIGHLIGHTS:

	Nine Months Ended September 30,		Years Ended December 31,	
	2009(1)	2008(1)	2008(1)	2007(1)
Net assets at end of period	$ 14,127,953	$ 22,829,820	$ 19,958,808	$ 24,625,572
Average net assets	17,043,381	23,727,696	22,292,190	23,437,511
Average outstanding debt	60,000,000	46,400,000	46,400,000	24,700,000
Ratio of total expenses, excluding interest expense, to average net assets(2)(3)	15.33%	11.08%	15.72%	11.56%
Ratio of total expenses to average net assets(2)(3)	32.49%	21.45%	30.61%	17.89%
Ratio of net investment income to average net assets(2)	6.75%	6.80%	10.23%	10.56%
Ratio of contributed capital to total capital commitments	50.31%	50.31%	50.31%	50.31%
Total return based on change in net asset value(4)(5)	(25.01)%	(3.84)%	(14.52)%	(2.60)%

(1) The amounts reflected in the financial highlights above represent the combined general partner and limited partner amounts. See the Combined Statements of Changes in Members Equity and Partners Capital for additional information.

(2) Not annualized.

(3) The Investment Manager voluntarily waived $526,050 of management fees for the year ended December 31, 2007.

(4) Total return based on change in net asset value was calculated using the sum of ending net asset value plus distributions to members and partners during the period less capital contributions during the period, as divided by the beginning net asset value.

(5) This ratio combines the total return for both the managing investors (the General Partner) and the non-managing investors (the Limited Partners).

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

NOTE 11. INCOME TAXES:

The Fund is taxed under the partnership provisions of the Internal Revenue Code. Under these provisions of the Internal Revenue Code, the General Partner and Limited Partners are responsible for reporting their share of the Partnership s income or loss on their income tax returns. Listed below is a reconciliation of Net Increase (Decrease) in Members Equity and Partners Capital Resulting From Operations to taxable income for the nine months ended September 30, 2009 and 2008 and for the years ended December 31, 2008 and 2007:

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Years Ended December 31, 2008	Years Ended December 31, 2007
Net Increase (decrease) in net assets resulting from operations	$ (4,990,855)	$ (945,753)	$ (3,576,762)	$ (576,791)
Net Change in unrealized (appreciation) depreciation from investments	6,616,884	3,347,699	3,882,491	4,005,154
Accrual basis to cash basis adjustments:				
Deferred debt origination fees included in taxable income	159,720	131,049	282,909	885,346
Accretion of unearned fee income for book income	(187,062)	(104,141)	(547,257)	(231,150)
Net Change in other assets	115,555	165,749	(96,496)	(445,081)
Net Change in interest payable	(789,293)	(469,762)	339,105	646,466
Portfolio company pass through taxable income (loss)			226,232	(590,720)
Other	(5,269)	(9,863)	(34,461)	(74,090)
Taxable Income	$ 919,680	$ 2,114,978	$ 475,761	$ 3,619,134

NOTE 12. RELATED PARTY TRANSACTIONS:

The Fund co-invests with Main Street Capital Corporation and its subsidiaries (collectively, MSCC) in several investments. MSCC and the Fund are commonly managed by the Investment Manager. The co-investments among the Fund and MSCC were made at the same time and on the same terms and conditions. The co-investments were made in accordance with the Investment Manager s conflicts policy and in accordance with the applicable SBIC conflict of interest regulations.

As discussed further in Note 5 Management Agreement, the Fund paid certain management fees to the Investment Manager during the nine months ended September 30, 2009 and 2008, and the years ended December 31, 2008 and 2007. The Investment Manager is managed by principals who also control the General Partner of the Fund.

The principals of the General Partner and their affiliates, collectively have invested $3,015,000 in the limited partnership interests of the Fund which represents a 5% limited partner interests and which includes an unfunded portion totaling $1,504,832.

NOTE 13. SUBSEQUENT EVENTS:

During October 2009, the Fund sold its portfolio investment in Universal Scaffolding & Equipment, LLC (Universal), which was on non-accrual status as of September 30, 2009, for $1.8 million. The Fund had recorded unrealized depreciation as of September 30, 2009 on its Universal investment equal to the loss it realized on the sale in the fourth quarter of 2009.

Table of Contents

MAIN STREET CAPITAL II, LP

Notes to Combined Financial Statements (Continued)

In November 2009, the Fund completed a new portfolio investment in Drilling Info, Inc. (Drilling Info), a premier information service provider for the domestic upstream oil and gas industry. The Fund provided Drilling Info with debt financing in connection with its acquisition of a data service company that provides data products and web-enabled, decision-support applications to various users within the energy industry. The Fund s $3.2 million investment in Drilling Info consists of a second lien, secured debt investment with an equity warrant participation representing an approximate 2% equity interest in Drilling Info.

During December 2009 and January 2010, the Fund made distributions to its limited partners totaling $1.1 million.

On January 7, 2010, MSCC consummated the transactions related to its formal offer (Exchange Offer) commenced on September 23, 2009 to exchange shares of its common stock for at least a majority of the limited partner interests of the Fund. The Exchange Offer was applicable to all Fund limited partner interests except for any limited partner interests owned by affiliates of MSCC, including any limited partner interests owned by officers or directors of MSCC. At the closing of the Exchange Offer, approximately 88% of the total dollar value of Fund limited partner interests were validly exchanged for 1,239,695 shares of MSCC common stock. A 12% minority ownership in the total dollar value of Fund limited partnership interests remains outstanding, including approximately 5% owned by affiliates of MSCC. Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the General Partner were also transferred to MSCC for no consideration. In connection with the Exchange Offer, MSC II Equity Interests, LLC (MSEI II) was formed as a wholly owned subsidiary of the Fund. The Fund transferred to MSEI II certain equity investments in portfolio companies which are pass through entities for tax purposes. MSEI II has elected for tax purposes to be treated as a separate taxable entity and is taxed at normal corporate tax rates based on its taxable income.

The Fund has performed an evaluation of subsequent events through January 7, 2010, which is the date the financial statements were issued.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On January 7, 2010, Main Street Capital Corporation (Main Street or MSCC) consummated the transactions related to the Exchange Offer and issued 1,239,695 shares of its common stock in exchange for approximately 88% of the total dollar value of Main Street Capital II, LP (MSC II) limited partner interests. In connection with the Exchange Offer, Main Street also funded the remaining limited partner capital commitments for the purchased limited partner interests in order to conform with the U.S. Small Business Administration (SBA) regulatory requirements. Pursuant to the terms of the Exchange Offer, 100% of the membership interests in the general partner of MSC II were also transferred to Main Street for no consideration. As part of the Exchange Offer transactions, Main Street transferred certain equity investments in portfolio companies which are pass through entities for tax purposes into a wholly owned subsidiary that is treated as a separate taxable entity. The unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the historical consolidated financial statements of Main Street and the historical combined financial statements of MSC II and the general partner of MSC II, and the related footnotes to those financial statements.

The following unaudited pro forma condensed combined financial information and explanatory notes illustrate the effect of the Exchange Offer and related transactions on Main Street s financial position and results of operations based upon the companies respective historical financial positions and results of operations under the acquisition method of accounting with Main Street treated as the acquirer. Under this method of accounting, the assets and liabilities of MSC II will be recorded by Main Street at their estimated fair values as of the date of the Exchange Offer. The unaudited pro forma condensed combined financial information of Main Street and MSC II reflects the unaudited condensed combined balance sheet as of September 30, 2009 and the unaudited condensed combined income statements for the year ended December 31, 2008 and the nine months ended September 30, 2009. The condensed combined balance sheet as of September 30, 2009 assumes the Exchange Offer and related transactions took place on that date. The condensed combined statements of income for the year ended December 31, 2008 and for the nine months ended September 30, 2009 assume the Exchange Offer and related transactions took place on January 1, 2008.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor the impact of possible business model changes. The unaudited pro forma condensed combined financial information also does not consider any potential impacts of current market conditions on investment income, earnings or cash flows, expense efficiencies, new investments or redeemed investments, and share issuances or repurchases, among other factors. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the allocation of the pro forma purchase price reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary significantly from the final purchase price allocation determined subsequent to the Exchange Offer.

MAIN STREET CAPITAL CORPORATION

Pro Forma Condensed Combined Balance Sheet
Unaudited
September 30, 2009

	MSCC and Consolidated Subsidiaries	MSC II	Pro Forma Adjustments	Pro Forma
Assets				
Investments core portfolio	$ 123,458,723	$ 68,117,738	$	$ 191,576,461
Investment in affiliated Investment Manager	16,340,706		(13,959,139)**(1)**	2,381,567
Marketable securities and idle funds investments	39,912,232	8,271,411	(12,000,000)**(8)**	36,183,643
Cash and cash equivalents	8,216,699	5,420,353	(250,000)**(2)** (1,100,000)**(9)** 24,000,000 **(8)**	36,287,052
Other assets	3,701,912	2,772,210	(2,076,898)**(3)**	4,397,224
Total assets	$ 191,630,272	$ 84,581,712	$ (5,386,037)	$ 270,825,947
Liabilities and Net Asset Value				
SBIC debentures	$ 55,000,000	$ 70,000,000	$ (16,459,247)**(3)**	$ 108,540,753
Bank line of credit			12,000,000 **(8)**	12,000,000
Other liabilities	7,567,447	453,759	251,447 **(4)**	8,272,653
Total liabilities	62,567,447	70,453,759	(4,207,800)	128,813,406
Total net asset value (before noncontrolling interest)	129,062,825	14,127,953	(4,437,300)**(6)**	138,753,478
Noncontrolling interest			3,259,063 **(5)**	3,259,063
Total net asset value	129,062,825	14,127,953	(1,178,237)	142,012,541
Total liabilities and net asset value	$ 191,630,272	$ 84,581,712	$ (5,386,037)	$ 270,825,947
Net Asset Value Per Share (before noncontrolling interest)	$ 12.01			$ 11.57

Table of Contents

MAIN STREET CAPITAL CORPORATION

Pro Forma Condensed Combined Income Statement
Unaudited
Year Ended December 31, 2008

	MSCC and Consolidated Subsidiaries	MSC II	Pro Forma Adjustments	Pro Forma
Interest, fee and dividend income	$ 15,967,197	$ 8,962,776	$	$ 24,929,973
Interest from marketable securities, idle funds and other	1,328,229	139,801	240,000**(11)**	1,708,030
Total investment income	17,295,426	9,102,577	240,000	26,638,003
Interest	(3,777,919)	(3,319,480)	(360,000)**(11)** 165,177 **(3)**	(7,292,222)
General and administrative	(1,684,084)	(178,198)		(1,862,282)
Expenses reimbursed to affiliated Investment Manager	(1,006,835)	(3,325,200)		(4,332,035)
Share-based compensation	(511,452)			(511,452)
Total expenses	(6,980,290)	(6,822,878)	(194,823)	(13,997,991)
Net investment income	10,315,136	2,279,699	45,177	12,640,012
Net realized gain (loss)	1,397,494	(1,973,970)		(576,476)
Net realized income	11,712,630	305,729	45,177	12,063,536
Net unrealized depreciation investment portfolio	(3,011,718)	(3,882,491)		(6,894,209)
Net unrealized depreciation investment in affiliated Investment Manager	(949,374)		835,449 **(12)**	(113,925)
Income tax (provision) benefit	3,182,401		408,432 **(4)**	3,590,833
Bargain purchase gain			3,715,496 **(6)(d)**	3,715,496
Net increase (decrease) in net assets resulting from operations	10,933,939	(3,576,762)	5,004,554	12,361,731
Noncontrolling interest			360,378 **(10)**	