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

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

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

Commission File Number: 001-33723

**Main Street Capital Corporation**

(Exact name of registrant as specified in its charter)

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

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

**1300 Post Oak Boulevard, 8<sup>th</sup> floor**  
**Houston, TX**

(Address of principal executive  
offices)

**77056**  
(Zip Code)

**(713) 350-6000**

(Registrant's telephone number including area code)

**n/a**

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of shares outstanding of the issuer's common stock as of November 3, 2016 was 53,036,148.

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**MAIN STREET CAPITAL CORPORATION**

**Consolidated Balance Sheets**

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

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Portfolio investments at fair value:		
Control investments (cost: \$401,190 and \$387,727 as of September 30, 2016 and December 31, 2015, respectively)	\$ 547,651	\$ 555,011
Affiliate investments (cost: \$368,553 and \$333,728 as of September 30, 2016 and December 31, 2015, respectively)	352,873	350,519
Non-Control/Non-Affiliate investments (cost: \$1,046,923 and \$945,187 as of September 30, 2016 and December 31, 2015, respectively)	<u>1,019,743</u>	<u>894,466</u>
Total portfolio investments (cost: \$1,816,666 and \$1,666,642 as of September 30, 2016 and December 31, 2015, respectively)	1,920,267	1,799,996
Marketable securities and idle funds investments (cost: \$0 and \$5,407 as of September 30, 2016 and December 31, 2015, respectively)	<u>—</u>	<u>3,693</u>
Total investments (cost: \$1,816,666 and \$1,672,049 as of September 30, 2016 and December 31, 2015, respectively)	1,920,267	1,803,689
Cash and cash equivalents	31,782	20,331
Interest receivable and other assets	33,500	27,737
Receivable for securities sold	503	9,901
Deferred financing costs (net of accumulated amortization of \$10,896 and \$8,965 as of September 30, 2016 and December 31, 2015, respectively)	12,259	13,267
Deferred tax asset, net	<u>9,199</u>	<u>4,003</u>
Total assets	<u>\$ 2,007,510</u>	<u>\$ 1,878,928</u>
<b>LIABILITIES</b>		
Credit facility	\$ 313,000	\$ 291,000
SBIC debentures (par: \$231,000 (\$15,000 due within one year) and \$225,000 as of September 30, 2016 and December 31, 2015, respectively. Par of \$75,200 is recorded at a fair value of \$74,680 and \$73,860 as of September 30, 2016 and December 31, 2015, respectively)	230,480	223,660
4.50% Notes	175,000	175,000
6.125% Notes	90,655	90,738
Accounts payable and other liabilities	11,581	12,292
Payable for securities purchased	29,100	2,311
Interest payable	3,561	3,959
Dividend payable	<u>9,783</u>	<u>9,074</u>
Total liabilities	863,160	808,034
Commitments and contingencies (Note M)		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 52,901,113 and 50,413,744 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively)	529	504
Additional paid-in capital	1,090,197	1,011,467
Accumulated net investment income, net of cumulative dividends of \$471,478 and \$417,347 as of September 30, 2016 and December 31, 2015, respectively	38,421	7,181
Accumulated net realized gain from investments (accumulated net realized gain from investments of \$52,352 before cumulative dividends of \$112,539 as of September 30, 2016 and accumulated net realized gain from investments of \$19,005 before cumulative dividends of \$68,658 as of December 31, 2015)	(60,187)	(49,653)
Net unrealized appreciation, net of income taxes	<u>75,390</u>	<u>101,395</u>
Total net assets	1,144,350	1,070,894
Total liabilities and net assets	<u>\$ 2,007,510</u>	<u>\$ 1,878,928</u>
<b>NET ASSET VALUE PER SHARE</b>	<u>\$ 21.62</u>	<u>\$ 21.24</u>

The accompanying notes are an integral part of these financial statements

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Operations

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

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>INVESTMENT INCOME:</b>				
Interest, fee and dividend income:				
Control investments	\$ 14,826	\$ 13,437	\$ 40,398	\$ 36,264
Affiliate investments	9,619	6,852	27,095	19,862
Non-Control/Non-Affiliate investments	22,149	22,090	63,841	64,124
Interest, fee and dividend income	46,594	42,379	131,334	120,250
Interest, fee and dividend income from marketable securities and idle funds investments	5	229	174	846
Total investment income	46,599	42,608	131,508	121,096
<b>EXPENSES:</b>				
Interest	(8,573)	(8,302)	(25,010)	(23,755)
Compensation	(4,309)	(3,727)	(12,081)	(11,055)
General and administrative	(2,247)	(2,212)	(6,808)	(6,271)
Share-based compensation	(2,137)	(1,651)	(5,977)	(4,592)
Expenses allocated to the External Investment Manager	1,224	1,145	3,739	3,133
Total expenses	(16,042)	(14,747)	(46,137)	(42,540)
<b>NET INVESTMENT INCOME</b>	<b>30,557</b>	<b>27,861</b>	<b>85,371</b>	<b>78,556</b>
<b>NET REALIZED GAIN (LOSS):</b>				
Control investments	17,862	—	32,220	3,324
Affiliate investments	(3,447)	5,964	25,260	5,827
Non-Control/Non-Affiliate investments	(10,033)	(6,195)	(22,452)	(16,836)
Marketable securities and idle funds investments	(96)	(1,112)	(1,681)	(1,352)
Total net realized gain (loss)	4,286	(1,343)	33,347	(9,037)
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION):</b>				
Portfolio investments	8,376	(8,389)	(29,738)	21,716
Marketable securities and idle funds investments	235	(648)	1,729	(521)
SBIC debentures	(801)	(50)	(820)	(823)
Total net change in unrealized appreciation (depreciation)	7,810	(9,087)	(28,829)	20,372
<b>INCOME TAXES:</b>				
Federal and state income, excise and other taxes	(904)	495	(2,372)	(1,547)
Deferred taxes	1,432	2,742	3,390	8,551
Income tax benefit	528	3,237	1,018	7,004
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 43,181</b>	<b>\$ 20,668</b>	<b>\$ 90,907</b>	<b>\$ 96,895</b>
<b>NET INVESTMENT INCOME PER SHARE—BASIC AND DILUTED</b>	<b>\$ 0.58</b>	<b>\$ 0.56</b>	<b>\$ 1.66</b>	<b>\$ 1.61</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE—BASIC AND DILUTED</b>	<b>\$ 0.82</b>	<b>\$ 0.41</b>	<b>\$ 1.76</b>	<b>\$ 1.99</b>
<b>DIVIDENDS PAID PER SHARE:</b>				
Regular monthly dividends	\$ 0.540	\$ 0.525	\$ 1.620	\$ 1.560
Supplemental dividends	—	—	0.275	0.275
Total dividends	\$ 0.540	\$ 0.525	\$ 1.895	\$ 1.835
<b>WEIGHTED AVERAGE SHARES OUTSTANDING—BASIC AND DILUTED</b>	<b>52,613,277</b>	<b>50,036,776</b>	<b>51,538,745</b>	<b>48,681,260</b>

The accompanying notes are an integral part of these financial statements

**MAIN STREET CAPITAL CORPORATION**
**Consolidated Statements of Changes in Net Assets**

(dollars in thousands, except shares)

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Net Investment Income, Net of Dividends	Accumulated Net Realized Gain From Investments, Net of Dividends	Net Unrealized Appreciation from Investments, Net of Income Taxes	Total Net Asset Value
	Number of Shares	Par Value					
<b>Balances at December 31, 2014</b>	45,079,150	\$ 451	\$ 853,606	\$ 23,665	\$ (20,456)	\$ 82,716	\$ 939,982
Public offering of common stock, net of offering costs	4,370,000	44	127,720	—	—	—	127,764
Share-based compensation	—	—	4,592	—	—	—	4,592
Purchase of vested stock for employee payroll tax withholding	(54,840)	(1)	(1,739)	—	—	—	(1,740)
Dividend reinvestment	444,957	4	13,654	—	—	—	13,658
Amortization of directors' deferred compensation	—	—	292	—	—	—	292
Issuance of restricted stock, net of forfeited shares	239,911	2	(2)	—	—	—	—
Dividends to stockholders	—	—	—	(88,294)	(2,168)	—	(90,462)
Net increase (loss) resulting from operations	—	—	—	78,556	(9,037)	27,376	96,895
<b>Balances at September 30, 2015</b>	<u>50,079,178</u>	<u>\$ 500</u>	<u>\$ 998,123</u>	<u>\$ 13,927</u>	<u>\$ (31,661)</u>	<u>\$ 110,092</u>	<u>\$1,090,981</u>
<b>Balances at December 31, 2015</b>	50,413,744	\$ 504	\$1,011,467	\$ 7,181	\$ (49,653)	\$ 101,395	\$1,070,894
Public offering of common stock, net of offering costs	1,996,793	20	64,239	—	—	—	64,259
Share-based compensation	—	—	5,977	—	—	—	5,977
Purchase of vested stock for employee payroll tax withholding	(80,750)	(1)	(2,592)	—	—	—	(2,593)
Dividend reinvestment	339,544	3	10,645	—	—	—	10,648
Amortization of directors' deferred compensation	—	—	464	—	—	—	464
Issuance of							

restricted stock, net of forfeited shares	262,586	3	(3)	—	—	—	—
Dividends to stockholders	—	—	—	(54,131)	(43,881)	—	(98,012)
Cumulative-effect to retained earnings for excess tax benefit	—	—	—	—	—	1,806	1,806
Net increase (loss) resulting from operations	—	—	—	85,371	33,347	(27,811)	90,907
<b>Balances at September 30, 2016</b>	<u>52,931,917</u>	<u>\$ 529</u>	<u>\$1,090,197</u>	<u>\$ 38,421</u>	<u>\$ (60,187)</u>	<u>\$ 75,390</u>	<u>\$1,144,350</u>

The accompanying notes are an integral part of these financial statements

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Cash Flows

(dollars in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations	\$ 90,907	\$ 96,895
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Investments in portfolio companies	(420,036)	(727,099)
Proceeds from sales and repayments of debt investments in portfolio companies	274,907	421,933
Proceeds from sales and return of capital of equity investments in portfolio companies	73,017	29,289
Investments in marketable securities and idle funds investments	(523)	(4,483)
Proceeds from sales and repayments of marketable securities and idle funds investments	4,316	7,094
Net change in net unrealized (appreciation) depreciation	28,829	(20,372)
Net realized (gain) loss	(33,347)	9,037
Accretion of unearned income	(7,073)	(6,474)
Payment-in-kind interest	(4,911)	(2,485)
Cumulative dividends	(1,470)	(1,242)
Share-based compensation expense	5,977	4,592
Amortization of deferred financing costs	1,931	1,899
Deferred tax benefit	(3,390)	(8,551)
Changes in other assets and liabilities:		
Interest receivable and other assets	(685)	(3,493)
Interest payable	(398)	147
Accounts payable and other liabilities	(247)	(1,618)
Deferred fees and other	1,644	1,438
Net cash provided by (used in) operating activities	9,448	(203,493)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from public offering of common stock, net of offering costs	64,259	127,764
Dividends paid	(86,655)	(75,453)
Proceeds from issuance of SBIC debentures	6,000	—
Proceeds from credit facility	254,000	473,000
Repayments on credit facility	(232,000)	(345,000)
Payment of deferred loan costs and SBIC debenture fees	(925)	(132)
Purchases of vested stock for employee payroll tax withholding	(2,593)	(1,740)
Other	(83)	(83)
Net cash provided by financing activities	2,003	178,356
Net increase (decrease) in cash and cash equivalents	11,451	(25,137)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>20,331</b>	<b>60,432</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 31,782</b>	<b>\$ 35,295</b>
<b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ 23,368	\$ 21,708
Taxes paid	\$ 1,762	\$ 2,504
<b>Non-cash financing activities:</b>		
Shares issued pursuant to the DRIP	\$ 10,648	\$ 13,658

The accompanying notes are an integral part of these financial statements



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments**
**September 30, 2016**
**(dollars in thousands)**
**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Control Investments(5)</b>					
<b>Access Media Holdings, LLC(10)</b>	Private Cable Operator	5% Current / 5% PIK Secured Debt (Maturity—July 22, 2020) Preferred Member Units (6,232,500 units; 12% cumulative) Member Units (45 units)	\$ 22,380	\$ 22,380 6,126 <u>1</u> 28,507	\$ 19,720 250 <u>—</u> 19,970
<b>AmeriTech College, LLC</b>	For-Profit Nursing and Healthcare College	10% Secured Debt (Maturity—November 30, 2019) 10% Secured Debt (Maturity—January 31, 2020) Preferred Member Units (294 units; 5%)(8)	1,004 3,025	1,004 3,025 <u>2,291</u> 6,320	1,004 3,025 <u>2,291</u> 6,320
<b>ASC Interests, LLC</b>	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity—July 31, 2018) Member Units (1,500 units)(8)	2,250	2,230 <u>1,500</u> 3,730	2,250 <u>2,680</u> 4,930
<b>Bond-Coat, Inc.</b>	Casing and Tubing Coating Services	12% Secured Debt (Maturity—December 28, 2017) Common Stock (57,508 shares)	11,596	11,547 <u>6,350</u> 17,897	11,596 <u>5,090</u> 16,686
<b>Café Brazil, LLC</b>	Casual Restaurant Group	Member Units (1,233 units)(8)		1,742	6,570
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Training Certification Videos	Member Units (416 units)(8)		1,300	52,800
<b>CMS Minerals Investments</b>	Oil & Gas Exploration & Production	Preferred Member Units (CMS Minerals LLC) (458 units)(8) Member Units (CMS Minerals II, LLC) (100 units)(8)		2,207 <u>3,955</u> 6,162	3,371 <u>3,893</u> 7,264

**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Schedule Of Investments (Continued)**  
**September 30, 2016**  
**(dollars in thousands)**  
**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Datacom, LLC</b>	Technology and Telecommunications Provider	8% Secured Debt (Maturity—May 30, 2017)	900	900	900
		5.25% Current / 5.25% PIK Secured Debt (Maturity—May 30, 2019)	11,558	11,491	10,888
		Class A Preferred Member Units (15% cumulative)(8)		1,181	1,318
		Class B Preferred Member Units (6,453 units)		<u>6,030</u>	<u>1,769</u>
				19,602	14,875
<b>Gamber-Johnson Holdings, LLC</b>	Manufacturer of Ruggedized Computer Mounting Systems	LIBOR Plus 11.00% (Floor 1.00%), Current Coupon 12.00%, Secured Debt (Maturity—June 24, 2021)(9)	20,000	19,798	19,798
		Member Units (7,040 units)		<u>12,124</u>	<u>12,124</u>
				31,922	31,922
<b>Garreco, LLC</b>	Manufacturer and Supplier of Dental Products	14% Secured Debt (Maturity—January 12, 2018)	5,550	5,511	5,511
		Member Units (1,200 units)(8)		<u>1,200</u>	<u>1,150</u>
				6,711	6,661
<b>GRT Rubber Technologies LLC</b>	Manufacturer of Engineered Rubber Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—December 19, 2019) (9)	13,484	13,390	13,484
		Member Units (5,879 units)(8)		<u>13,065</u>	<u>18,030</u>
				26,455	31,514
<b>Gulf Manufacturing, LLC</b>	Manufacturer of Specialty Fabricated Industrial Piping Products	9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity—June 30, 2017)	777	777	777
		Member Units (438 units)		<u>2,980</u>	<u>8,770</u>
				3,757	9,547
<b>Gulf Publishing Holdings, LLC</b>	Energy Focused Media and Publishing	12.5% Secured Debt (Maturity—April 29, 2021)	10,000	9,907	9,907
		Member Units (3,124 units)		<u>3,124</u>	<u>3,124</u>
				13,031	13,031
<b>Harrison Hydra-Gen, Ltd.</b>	Manufacturer of Hydraulic Generators	Common Stock (107,456 shares)(8)		718	3,340

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

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)		589	280
		Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)		<u>1,215</u>	<u>2,040</u>
				1,804	2,320
HW Temps LLC	Temporary Staffing Solutions	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity July 2, 2020)(9) Preferred Member Units (3,200 units) (8)	10,376	10,296	10,296
				<u>3,942</u>	<u>4,360</u>
				14,238	14,656
Hydratec, Inc	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	15,760
IDX Broker, LLC	Provider of Marketing and CRM Tools for the Real Estate Industry	12.5% Secured Debt (Maturity—November 15, 2018) Member Units (5,400 units)(8)	11,250	11,197	11,250
				<u>5,606</u>	<u>6,690</u>
				16,803	17,940
Indianapolis Aviation Partners, LLC	Fixed Base Operator	15% Secured Debt (Maturity—January 15, 2017) Warrants (1,046 equivalent units)	3,100	3,100	3,100
				<u>1,129</u>	<u>2,649</u>
				4,229	5,749
Jensen Jewelers of Idaho, LLC	Retail Jewelry Store	Prime Plus 6.75% (Floor 2.00%), Current Coupon 10.25%, Secured Debt (Maturity—November 14, 2016)(9) Member Units (627 units)(8)	4,205	4,200	4,205
				<u>811</u>	<u>4,650</u>
				5,011	8,855
Lamb Ventures, LLC	Aftermarket Automotive Services Chain	LIBOR Plus 5.75%, Current Coupon 6.27%, Secured Debt (Maturity—March 3, 2017) 11% Secured Debt (Maturity—May 31, 2018) Preferred Equity (non-voting) Member Units (742 units)(8) 9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity—October 1, 2025) Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)	139	139	139
			7,735	7,735	7,735
				400	400
				5,273	5,880
			882	882	882
				<u>625</u>	<u>1,620</u>
				15,054	16,656



**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Schedule Of Investments (Continued)**  
**September 30, 2016**  
**(dollars in thousands)**  
**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>	
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity— August 22, 2017)	1,514	1,514	1,514	
		Preferred Equity (non-voting)		434	430	
		Warrants (71 equivalent units)			54	10
		Member Units (700 units)			<u>100</u>	<u>80</u>
					2,102	2,034
<b>Marine Shelters Holdings, LLC</b>	Fabricator of Marine and Industrial Shelters	12% PIK Secured Debt (Maturity— December 28, 2017)	9,967	9,905	9,379	
		Preferred Member Units (3,810 units)		<u>5,352</u>	<u>906</u>	
				15,257	10,285	
<b>MH Corbin Holding LLC</b>	Manufacturer and Distributor of Traffic Safety Products	10% Secured Debt (Maturity— August 31, 2020)	13,475	13,365	13,365	
		Preferred Member Units (4,000 shares)		<u>6,000</u>	<u>6,000</u>	
				19,365	19,365	
<b>Mid-Columbia Lumber Products, LLC</b>	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity— December 18, 2017)	1,750	1,750	1,750	
		12% Secured Debt (Maturity— December 18, 2017)	3,900	3,900	3,900	
		Member Units (3,554 units)		1,244	2,300	
		9.5% Secured Debt (Mid—Columbia Real Estate, LLC) (Maturity— May 13, 2025)	847	847	847	
		Member Units (Mid—Columbia Real Estate, LLC) (250 units)(8)		<u>250</u>	<u>600</u>	
				7,991	9,397	
<b>MSC Adviser I, LLC(16)</b>	Third Party Investment Advisory Services	Member Units (Fully diluted 100.0%) (8)		—	30,133	
<b>Mystic Logistics Holdings, LLC</b>	Logistics and Distribution Services Provider for Large Volume Mailers	12% Secured Debt (Maturity— August 15, 2019)	9,176	9,043	9,176	
		Common Stock (5,873 shares)		<u>2,720</u>	<u>5,150</u>	
				11,763	14,326	

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

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity—February 1, 2019) (9)	2,713	2,690	2,713
		18% Secured Debt (Maturity— February 1, 2019)	3,952	3,919	3,952
		Member Units (2,955 units)(8)		<u>2,975</u>	<u>10,670</u>
				9,584	17,335
NRI Clinical Research, LLC	Clinical Research Service Provider	14% Secured Debt (Maturity— September 8, 2017)	4,510	4,464	4,510
		Warrants (251,723 equivalent units)		252	650
		Member Units (1,454,167 units)		<u>765</u>	<u>2,321</u>
				5,481	7,481
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	6% Current / 6% PIK Secured Debt (Maturity—December 22, 2016)	13,703	13,631	13,631
		Warrants (14,331 equivalent units)		817	130
		Member Units (50,877 units)		<u>2,900</u>	<u>410</u>
				17,348	14,171
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)		1,080	14,390
Pegasus Research Group, LLC	Provider of Telemarketing and Data Services	Member Units (460 units)(8)		1,290	8,620
PPL RVs, Inc.	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity— December 31, 2016)	9,710	9,710	9,710
		Common Stock (1,962 shares)(8)		<u>2,150</u>	<u>11,780</u>
				11,860	21,490
Principle Environmental, LLC	Noise Abatement Service Provider	12% Secured Debt (Maturity— April 30, 2017)	4,060	4,060	4,060
		12% Current / 2% PIK Secured Debt (Maturity—April 30, 2017)	3,361	3,361	3,361
		Preferred Member Units (19,631 units)		4,663	4,600
		Warrants (1,036 equivalent units)		<u>1,200</u>	<u>20</u>
			13,284	12,041	
Quality Lease Service, LLC	Provider of Rigsite Accommodation Unit Rentals and Related Services	8% PIK Secured Debt (Maturity— June 8, 2020)	6,929	6,929	6,929
		Member Units (1,000 units)		<u>818</u>	<u>2,888</u>
				7,747	9,817



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>River Aggregates, LLC</b>	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity—June 30, 2018)	750	609	609
		Member Units (1,150 units)(8)		1,150	4,600
		Member Units (RA Properties, LLC) (1,500 units)		<u>369</u>	<u>2,510</u>
				2,128	7,719
<b>SoftTouch Medical Holdings LLC</b>	Home Provider of Pediatric Durable Medical Equipment	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—October 31, 2019) (9)	7,225	7,177	7,225
		Member Units (4,450 units)(8)		<u>4,930</u>	<u>8,670</u>
				12,107	15,895
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	9% Secured Debt (Maturity—October 2, 2018)	2,924	2,922	2,922
		Series A Preferred Units (2,500 units; 10% Cumulative)		2,500	360
		Warrants (1,424 equivalent units)		1,096	—
		Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted) (8)		<u>2,300</u>	<u>2,300</u>
				8,818	5,582
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply Store	9% Secured Debt (Maturity—January 1, 2019)	986	986	986
		Member Units (2,011 units)(8)		<u>3,843</u>	<u>4,860</u>
				4,829	5,846
<b>Vision Interests, Inc</b>	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity—December 23, 2016)	2,889	2,885	2,885
		Series A Preferred Stock (3,000,000 shares)		3,000	3,370
		Common Stock (1,126,242 shares)		<u>3,706</u>	<u>140</u>
				9,591	6,395
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group	6.5% Secured Debt (Maturity—October 1, 2019)	1,000	993	993
		12% Secured Debt (Maturity—October 1, 2019)	300	300	300
		14% Secured Debt (Maturity—October 1, 2019)	2,750	2,750	2,750
		Warrants (587 equivalent units)		600	220
		Preferred Member Units (10,072 units)		<u>2,834</u>	<u>3,700</u>
				<u>7,477</u>	<u>7,963</u>



**Subtotal Control Investments (28.5% of total investments at fair value)**

\$ 401,190

\$ 547,651

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

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u> <u>Affiliate Investments(6)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>AFG Capital Group, LLC</b>	Provider of Rent-to-Own Financing Solutions and Services	Warrants (42 equivalent units)		\$ 259	\$ 620
		Member Units (186 units)		<u>1,200</u>	<u>2,530</u>
				1,459	3,150
<b>Barfly Ventures, LLC(10)</b>	Casual Restaurant Group	12% Secured Debt (Maturity—August 31, 2020)	5,958	5,854	5,761
		Options (2 equivalent units)		397	420
		Warrant (1 equivalent unit)		<u>473</u>	<u>240</u>
				6,724	6,421
<b>BBB Tank Services, LLC</b>	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—April 8, 2021)(9)	336	332	332
		12% Current / 1% PIK Secured Debt (Maturity—April 8, 2021)	4,020	3,982	3,982
		Member Units (800,000 units)		<u>800</u>	<u>800</u>
				5,114	5,114
<b>Boss Industries, LLC</b>	Manufacturer and Distributor of Air, Power and Other Industrial Equipment	Preferred Member Units (2,242 units) (8)		2,379	2,606
<b>Bridge Capital Solutions Corporation</b>	Financial Services and Cash Flow Solutions Provider	13% Secured Debt (Maturity—July 25, 2021)	7,500	5,550	5,550
		Warrants (63 equivalent shares)		2,132	3,312
		13% Secured Debt (Mercury Service Group, LLC) (Maturity—July 25, 2021)	1,000	990	990
		Preferred Member Units (Mercury Service Group, LLC) (17,742 units) (8)		<u>1,000</u>	<u>1,000</u>
				9,672	10,852
<b>Buca C, LLC</b>	Casual Restaurant Group	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—June 30, 2020)(9)	22,371	22,197	22,371
		Preferred Member Units (6 units; 6% cumulative)(8)		<u>3,879</u>	<u>5,599</u>
				26,076	27,970



**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Schedule Of Investments (Continued)**  
**September 30, 2016**  
**(dollars in thousands)**  
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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
CAI Software LLC	Provider of Specialized Enterprise Resource Planning Software	12% Secured Debt (Maturity—October 10, 2019)	3,780	3,754	3,780
		Member Units (65,356 units)(8)		<u>654</u>	<u>2,150</u>
				4,408	5,930
CapFusion, LLC(13)	Non-Bank Lender to Small Businesses	13% Secured Debt (Maturity—March 25, 2021)	12,800	11,566	11,566
		Warrants (1,600 equivalent units)		<u>1,200</u>	<u>1,200</u>
				12,766	12,766
Chandler Signs Holdings, LLC(10)	Sign Manufacturer	12% Secured Debt (Maturity—July 4, 2021)	4,500	4,459	4,500
		Class A Units (1,500,000 units)(8)		<u>1,500</u>	<u>2,950</u>
				5,959	7,450
Condit Exhibits, LLC	Tradeshaw Exhibits / Custom Displays Provider	Member Units (3,936 units)(8)		100	1,780
Congruent Credit Opportunities Funds(12)(13)	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)		5,778	1,439
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8)		<u>15,754</u>	<u>15,976</u>
				21,532	17,415
Daseke, Inc.	Specialty Transportation Provider	12% Current / 2.5% PIK Secured Debt (Maturity—July 31, 2018)	21,660	21,471	21,660
		Common Stock (19,467 shares)		<u>5,213</u>	<u>21,640</u>
				26,684	43,300
Dos Rios Partners(12)(13)	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)		5,237	4,121
		LP Interests (Dos Rios Partners—A, LP) (Fully diluted 6.4%)		<u>1,663</u>	<u>1,191</u>
				6,900	5,312
Dos Rios Stone Products LLC(10)	Limestone and Sandstone Dimension Cut Stone Mining Quarries	Class A Units (2,000,000 units)(8)		2,000	2,000
East Teak Fine Hardwoods, Inc	Distributor of Hardwood Products				



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
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**(dollars in thousands)**
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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
East West Copolymer & Rubber, LLC	Manufacturer of Synthetic Rubbers	12% Current / 2% PIK Secured Debt (Maturity—October 17, 2019)	9,650	9,534	9,534
		Warrants (2,510,790 equivalent units)		50	50
				9,584	9,584
EIG Fund Investments(12)(13)	Investment Partnership	LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 11.1%)(8)		2,788	2,788
EIG Traverse Co-Investment, L.P. (12)(13)	Investment Partnership	LP Interests (Fully diluted 22.2%)(8)		9,805	10,027
Freeport Financial Funds(12)(13)	Investment Partnership	LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.3%)(8)		5,974	5,620
		LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.0%)(8)		3,564	3,564
				9,538	9,184
Gault Financial, LLC (RMB Capital, LLC)	Purchases and Manages Liquidation of Distressed Assets	10% Current Secured Debt (Maturity—November 21, 2016)	13,046	13,018	11,053
		Warrants (29,025 equivalent units)		400	—
				13,418	11,053
Glowpoint, Inc.	Provider of Cloud Managed Video Collaboration Services	12% Secured Debt (Maturity—October 18, 2018)	9,000	8,943	6,639
		Common Stock (7,711,517 shares)		3,958	2,160
				12,901	8,799
Guerdon Modular Holdings, Inc	Multi-Family and Commercial Modular Construction Company	9% Current / 4% PIK Secured Debt (Maturity—August 13, 2019)	10,599	10,476	10,476
		Preferred Stock (404,998 shares)		1,140	1,140
		Common Stock (212,033 shares)		2,983	80
				14,599	11,696
Houston Plating and Coatings, LLC	Provider of Plating and Industrial Coating Services	Member Units (265,756 units)		1,429	4,380
I-45 SLF LLC(12)(13)	Investment Partnership	Member units (Fully diluted 20.0%; 24.4% profits interest)(8)		12,200	12,586



MAIN STREET CAPITAL CORPORATION

Consolidated Schedule Of Investments (Continued)

September 30, 2016

(dollars in thousands)

(Unaudited)

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
Indianhead Pipeline Services, LLC	Provider of Pipeline Support Services	12% Secured Debt (Maturity—February 6, 2017)	5,325	5,273	5,273
		Preferred Member Units (33,819 units; 8% cumulative)(8)		2,332	2,670
		Warrants (31,928 equivalent units)		459	—
		Member Units (14,732 units)		<u>1</u>	<u>—</u>
					8,065
KBK Industries, LLC	Manufacturer of Specialty Oilfield and Industrial Products	10% Secured Debt (Maturity—September 28, 2017)	700	700	700
		12.5% Secured Debt (Maturity—September 28, 2017)	5,900	5,886	5,886
		Member Units (250 units)		<u>341</u>	<u>3,090</u>
				6,927	9,676
L.F. Manufacturing Holdings, LLC(10)	Manufacturer of Fiberglass Products	Member Units (2,179,001 units)(8)		2,019	1,380
OnAsset Intelligence, Inc	Provider of Transportation Monitoring / Tracking Products and Services	12% PIK Secured Debt (Maturity—December 31, 2015)(17)	4,384	4,384	4,384
		Preferred Stock (912 shares; 7% cumulative)		1,981	—
		Warrants (5,333 equivalent shares)		<u>1,919</u>	<u>—</u>
				8,284	4,384
OPI International Ltd.(13)	Provider of Man Camp and Industrial Storage Services	10% Unsecured Debt (Maturity—April 8, 2018)	473	473	473
		Common Stock (20,766,317 shares)		<u>1,371</u>	<u>3,200</u>
				1,844	3,673
PCI Holding Company, Inc	Manufacturer of Industrial Gas Generating Systems	12% Secured Debt (Maturity—March 31, 2019)	13,000	12,888	13,000
		Preferred Stock (1,500,000 shares; 20% cumulative)(8)		<u>3,212</u>	<u>5,040</u>
				16,100	18,040
Rocaccia, LLC (Quality Lease and Rental Holdings, LLC)	Provider of Rigsite Accommodation Unit Rentals and Related Services	12% Secured Debt (Maturity—January 8, 2018)(14)(18)	30,785	30,281	250
		Preferred Member Units (250 units)		<u>2,500</u>	<u>—</u>





MAIN STREET CAPITAL CORPORATION

Consolidated Schedule Of Investments (Continued)

September 30, 2016

(dollars in thousands)

(Unaudited)

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Tin Roof Acquisition Company	Casual Restaurant Group	12% Secured Debt (Maturity—November 13, 2018)	13,682	13,539	13,539
		Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)		<u>2,670</u>	<u>2,670</u>
				16,209	16,209
UniTek Global Services, Inc.(11)	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—January 13, 2019) (9)	2,826	2,826	2,813
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—January 13, 2019) (9)	822	822	815
		15% PIK Unsecured Debt (Maturity—July 13, 2019)	718	718	714
		Preferred Stock (4,935,377 shares; 13.5% cumulative)(8)		5,430	6,200
		Common Stock (705,054 shares)		<u>—</u>	<u>2,580</u>
					9,796
Universal Wellhead Services Holdings, LLC(10)	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Class A Preferred Units (4,000,000 units; 4.5% cumulative)(8)		4,000	1,160
Valley Healthcare Group, LLC	Provider of Durable Medical Equipment	LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.02%, Secured Debt (Maturity—December 29, 2020) (9)	10,716	10,622	10,622
		Preferred Member Units (Valley Healthcare Holding, LLC) (1,600 units)		<u>1,600</u>	<u>1,600</u>
				12,222	12,222
Volusion, LLC	Provider of Online Software-as-a-Service eCommerce Solutions	10.5% Secured Debt (Maturity—January 26, 2020)	17,500	16,391	16,391
		Preferred Member Units (4,876,670 units)		14,000	14,000
		Warrants (950,618 equivalent units)		<u>1,400</u>	<u>1,400</u>
				<u>31,791</u>	<u>31,791</u>
<b>Subtotal Affiliate Investments (18.4% of total investments at fair value)</b>				<b>\$ 368,553</b>	<b>\$ 352,873</b>

**MAIN STREET CAPITAL CORPORATION**  
**Consolidated Schedule Of Investments (Continued)**  
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**(dollars in thousands)**  
**(Unaudited)**

<u>Portfolio Company(1)</u> <u>Non-Control/Non-Affiliate Investments(7)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>AccuMED Corp.(10)</b>	Medical Device Contract Manufacturer	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—October 29, 2020)(9)	\$ 10,306	\$ 10,218	\$ 10,306
<b>Adams Publishing Group, LLC(10)</b>	Local Newspaper Operator	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—November 3, 2020)(9)	7,955	7,826	7,753
<b>Ahead, LLC(10)</b>	IT Infrastructure Value Added Reseller	LIBOR Plus 6.50%, Current Coupon 7.34%, Secured Debt (Maturity—November 2, 2020)	14,438	14,070	14,401
<b>Allflex Holdings III Inc.(11)</b>	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—July 19, 2021)(9)	14,795	14,701	14,869
<b>American Scaffold Holdings, Inc. (10)</b>	Marine Scaffolding Service Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—March 31, 2022)(9)	7,406	7,300	7,369
<b>American Seafoods Group, LLC(11)</b>	Catcher-Processor of Alaskan Pollock	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—August 19, 2021)(9)	9,634	9,624	9,610
<b>American Teleconferencing Services, Ltd.(11)</b>	Provider of Audio Conferencing and Video Collaboration Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—December 8, 2021)(9)	12,309	11,122	12,016
<b>Anchor Hocking, LLC(11)</b>	Household Products Manufacturer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—June 4, 2018)(9)	2,283	2,283	2,111
		Member Units (440,620 units)		<u>4,928</u>	<u>3,084</u>
				7,211	5,195



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
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**(dollars in thousands)**
**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>AP Gaming I, LLC(10)</b>	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—December 20, 2020)(9)	11,256	11,076	10,813
<b>Apex Linen Service, Inc</b>	Industrial Launderers	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—October 30, 2022) (9) 13% Secured Debt (Maturity—October 30, 2022)	2,400 14,416	2,400 <u>14,335</u>	2,400 <u>14,335</u> 16,735
<b>Applied Products, Inc.(10)</b>	Adhesives Distributor	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—September 30, 2019)(9)	3,927	3,895	3,818
<b>Arcus Hunting LLC.(10)</b>	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—November 13, 2019)(9)	16,922	16,760	16,760
<b>Artel, LLC(11)</b>	Provider of Secure Satellite Network and IT Solutions	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity—November 27, 2017)(9)	7,252	7,085	6,237
<b>ATI Investment Sub, Inc.(11)</b>	Manufacturer of Solar Tracking Systems	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—June 22, 2021)(9)	9,750	9,560	9,726
<b>ATS Workholding, Inc.(10)</b>	Manufacturer of Machine Cutting Tools and Accessories	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity—March 10, 2019) (9)	6,253	6,223	6,000
<b>ATX Networks Corp.(11)(13)</b>	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—June 11, 2021)(9)	11,850	11,654	11,613



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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Berry Aviation, Inc.(10)</b>	Airline Charter Service Operator	12.00% Current / 1.75% PIK Secured Debt (Maturity—January 30, 2020)	5,627	5,585	5,585
		Common Stock (553 shares)		<u>400</u>	<u>760</u>
				5,985	6,345
<b>Bioventus LLC(10)</b>	Production of Orthopedic Healing Products	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity—April 10, 2020)(9)	5,000	4,929	5,013
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity—August 1, 2019)(9)	5,643	5,622	4,233
<b>Blue Bird Body Company(11)(13)</b>	School Bus Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—June 26, 2020)(9)	1,716	1,705	1,722
<b>Bluestem Brands, Inc.(11)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—November 6, 2020)(9)	13,068	12,808	11,451
<b>Brainworks Software, LLC(10)</b>	Advertising Sales and Newspaper Circulation Software	Prime Plus 7.25% (Floor 3.25%), Current Coupon 10.75%, Secured Debt (Maturity—July 22, 2019)(9)	626	621	621
		Prime Plus 7.25% (Floor 3.25%), Current Coupon 10.75%, Secured Debt (Maturity—July 22, 2019)(9)	6,107	<u>6,059</u>	<u>5,981</u>
				6,680	6,602
<b>Brightwood Capital Fund III, LP(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 1.6%)(8)		11,250	10,596
<b>Brundage-Bone Concrete Pumping, Inc.(11)</b>	Construction Services Provider	10.375% Secured Debt (Maturity—September 1, 2021)	3,000	2,984	3,210
<b>California Pizza Kitchen, Inc.(11)</b>	Casual Restaurant Group	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—August 23, 2022)(9)	5,000	4,951	4,985





**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Cenveo Corporation(11)	Provider of Commercial Printing, Envelopes, Labels, and Printed Office Products	6% Secured Debt (Maturity—August 1, 2019)	13,130	10,935	11,653
Charlotte Russe, Inc(11)	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity—May 22, 2019)(9)	14,346	14,122	7,101
Clarius BIGS, LLC(10)	Prints & Advertising Film Financing	15% PIK Secured Debt (Maturity—January 5, 2015)(14)(17)	2,999	2,999	159
Compact Power Equipment, Inc	Equipment / Tool Rental	12% Secured Debt (Maturity—October 1, 2017) Series A Preferred Stock (4,298,435 shares)	4,100	4,094	4,100
				<u>1,079</u>	<u>3,830</u>
				5,173	7,930
Compuware Corporation(11)	Provider of Software and Supporting Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity—December 15, 2019)(9)	12,011	11,766	12,056
Covenant Surgical Partners, Inc. (11)	Ambulatory Surgical Centers	8.75% Secured Debt (Maturity—August 1, 2019)	800	800	768
CRGT Inc.(11)	Provider of Custom Software Development	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—December 19, 2020)(9)	6,903	6,810	6,920
CST Industries Inc.(11)	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity—May 22, 2017)(9)	9,727	9,696	9,727
Darr Equipment LP(10)	Heavy Equipment Dealer	12% Current / 2% PIK Secured Debt (Maturity—April 15, 2020) Warrants (915,734 equivalent units)	21,023	20,565	20,312
				<u>474</u>	<u>10</u>
				21,039	20,322
Digital River, Inc.(11)	Provider of Outsourced e-				

Commerce  
Solutions and  
Services

LIBOR Plus 6.50% (Floor 1.00%),  
Current Coupon 7.50%, Secured  
Debt (Maturity—February 12,  
2021)(9)

15,184

15,081

15,156

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

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**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Drilling Info Holdings, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	10,410
<b>ECP-PF Holdings Group, Inc.(10)</b>	Fitness Club Operator	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—November 26, 2019)(9)	5,625	5,587	5,590
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		3,915	2,054
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)		2,258	1,283
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%)(8)		4,007	4,044
		LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)		2,654	2,654
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)		8,937	9,677
		LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)(8)		2,474	2,496
				<u>24,245</u>	<u>22,208</u>
<b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)(13)</b>	Technology-based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—April 28, 2022)(9)	7,000	6,852	4,253
<b>Flavors Holdings Inc.(11)</b>	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity—April 3, 2020)(9)	12,659	12,228	10,760
<b>Fram Group Holdings, Inc.(11)</b>	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.50% (Floor 1.50%), Current Coupon 7.00%, Secured Debt (Maturity—July 29, 2017)(9)	9,267	9,213	8,947
		LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity—January 29, 2018)(9)	700	699	608
				<u>9,912</u>	<u>9,555</u>

**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**September 30, 2016**
**(dollars in thousands)**
**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
GI KBS Merger Sub LLC(11)	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—October 29, 2021) (9)	3,900	3,849	3,764
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—April 29, 2022)(9)	800	<u>787</u>	<u>760</u>
				4,636	4,524
Grace Hill, LLC(10)	Online Training Tools for the Multi-Family Housing Industry	Prime Plus 5.25% (Floor 1.00%), Current Coupon 8.75%, Secured Debt (Maturity—August 15, 2019) (9)	634	622	634
		LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—August 15, 2019) (9)	11,580	<u>11,494</u>	<u>11,580</u>
				12,116	12,214
Great Circle Family Foods, LLC(10)	Quick Service Restaurant Franchise	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—October 28, 2019) (9)	7,698	7,644	7,698
Grupo Hima San Pablo, Inc.(11)	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity—January 31, 2018) (9)	4,825	4,794	3,860
		13.75% Secured Debt (Maturity—July 31, 2018)	2,000	<u>1,957</u>	<u>1,200</u>
				6,751	5,060
GST Autoleather, Inc.(11)	Automotive Leather Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—July 10, 2020)(9)	13,317	13,209	13,067
Guitar Center, Inc.(11)	Musical Instruments Retailer	6.5% Secured Debt (Maturity—April 15, 2019)	14,625	13,820	12,870
Hojeij Branded Foods, LLC(10)	Multi-Airport, Multi- Concept Restaurant Operator	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—July 27, 2021)(9)	5,446	5,401	5,401



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**September 30, 2016**
**(dollars in thousands)**
**(Unaudited)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Horizon Global Corporation(11)(13)</b>	Auto Parts Manufacturer	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—June 30, 2021)(9)	12,375	12,200	12,499
<b>Hostway Corporation(11)</b>	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity—December 13, 2019)(9)	10,727	10,661	10,328
<b>Hunter Defense Technologies, Inc. (11)</b>	Provider of Military and Commercial Shelters and Systems	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—August 5, 2019)(9)	9,812	9,279	8,585
<b>Hygea Holdings, Corp.(10)</b>	Provider of Physician Services	LIBOR Plus 9.25%, Current Coupon 10.08%, Secured Debt (Maturity—February 24, 2019) Warrants (4,880,735 equivalent shares)	7,938	7,390	7,513
				<u>369</u>	<u>490</u>
				7,759	8,003
<b>iEnergizer Limited(11)(13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity—May 1, 2019)(9)	9,918	9,413	9,522
<b>Indivior Finance LLC(11)(13)</b>	Specialty Pharmaceutical Company Treating Opioid Dependence	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—December 19, 2019)(9)	6,844	6,558	6,861
<b>Industrial Container Services, LLC(10)</b>	Steel Drum Reconditioner	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity—December 31, 2018)(9)	8,962	8,942	8,942
<b>Industrial Services Acquisition, LLC(10)</b>	Industrial Cleaning Services	11.25% Current / 0.75% PIK Unsecured Debt (Maturity—December 17, 2022) Member Units (Industrial Services Investments, LLC) (900,000 units)	4,510	4,423	4,423
				<u>900</u>	<u>900</u>
				5,323	5,323
<b>Infinity Acquisition Finance Corp. (11)</b>	Application Software for Capital Markets				

7.25% Unsecured Debt (Maturity—  
August 1, 2022)

5,700

5,355

4,959

**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
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**(dollars in thousands)**
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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Inn of the Mountain Gods Resort and Casino(11)</b>	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity—November 30, 2020)	3,851	3,726	3,504
<b>Insurance Technologies, LLC(10)</b>	Illustration and Sales-automation Platforms	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—December 1, 2019)(9)	3,965	3,934	3,934
<b>Intertain Group Limited(11)(13)</b>	Business-to-Consumer Online Gaming Operator	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—April 8, 2022)(9)	4,426	4,359	4,421
<b>iPayment, Inc.(11)</b>	Provider of Merchant Acquisition	LIBOR Plus 5.25% (Floor 1.50%), Current Coupon 6.75%, Secured Debt (Maturity—May 8, 2017)(9)	15,026	15,007	14,274
<b>iQor US Inc.(11)</b>	Business Process Outsourcing Services Provider	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—April 1, 2021)(9)	9,837	9,688	8,533
<b>irth Solutions, LLC</b>	Provider of Damage Prevention Information Technology Services	Member Units (27,893 units)		1,441	1,790
<b>Jackmont Hospitality, Inc.(10)</b>	Franchisee of Casual Dining Restaurants	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25% / 2.50% PIK, Current Coupon Plus PIK 7.75%, Secured Debt (Maturity—May 26, 2021)(9)	4,444	4,426	4,278
<b>Joerns Healthcare, LLC(11)</b>	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—May 9, 2020)(9)	14,692	14,591	13,958
<b>JSS Holdings, Inc.(11)</b>	Aircraft Maintenance Program Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured			



Debt (Maturity—August 31, 2021)	13,000	12,717	12,935
(9)			

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Kendra Scott, LLC(11)</b>	Jewelry Retail Stores	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—July 17, 2020)(9)	5,652	5,607	5,624
<b>Keypoint Government Solutions, Inc.(11)</b>	Provider of Pre-Employment Screening Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity—November 13, 2017)(9)	5,670	5,649	5,641
<b>LaMi Products, LLC(10)</b>	General Merchandise Distribution	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—September 16, 2020)(9)	10,735	10,653	10,735
<b>Lansing Trade Group LLC(11)</b>	Commodity Merchandiser	9.25% Unsecured Debt (Maturity—February 15, 2019)	6,000	6,000	6,000
<b>Larchmont Resources, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 8.75% (Floor 1.00%), Current Coupon 9.75%, Secured Debt (Maturity—August 7, 2019)(9) (14)	7,784	7,496	2,491
<b>LKCM Headwater Investments I, L.P.(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 2.3%)		2,500	4,150
<b>Logix Acquisition Company, LLC(10)</b>	Competitive Local Exchange Carrier	LIBOR Plus 8.28% (Floor 1.00%), Current Coupon 9.28%, Secured Debt (Maturity—June 24, 2021)(9)	8,672	8,528	8,528
<b>Looking Glass Investments, LLC(12)(13)</b>	Specialty Consumer Finance	9% Unsecured Debt (Maturity—June 30, 2020) Member Units (2.5 units) Member Units (LGI Predictive Analytics LLC) (190,712 units)(8)	188	188 125 183	188 125 183
				496	496
<b>Messenger, LLC(10)</b>	Supplier of Specialty Stationery and Related Products to the Funeral Industry	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—September 9, 2020)(9)	14,497	14,416	14,497



**MAIN STREET CAPITAL CORPORATION**  
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**(dollars in thousands)**

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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Minute Key, Inc.	Operator of Automated Key Duplication Kiosks	10% Current / 2% PIK Secured Debt (Maturity—September 19, 2019)	15,620	15,302	15,302
		Warrants (1,437,409 equivalent units)		280	370
				15,582	15,672
Mood Media Corporation(11)(13)	Provider of Electronic Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—May 1, 2019)(9)	14,843	14,746	14,131
New Media Holdings II LLC(11)(13)	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—June 4, 2020)(9)	14,926	14,653	14,832
North American Lifting Holdings, Inc.(11)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity—November 27, 2020)(9)	2,539	2,036	2,069
North Atlantic Trading Company, Inc.(11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity—January 13, 2020)(9)	9,422	9,365	9,357
Novitex Intermediate, LLC(11)	Provider of Document Management Services	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity—July 7, 2020)(9)	8,526	8,388	8,014
NTM Acquisition Corp.(11)	Provider of B2B Travel Information Content	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—June 7, 2022)(9)	4,197	4,135	4,176
Ospemifene Royalty Sub LLC (QuatRx)(10)	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity—November 15, 2026)(14)	5,071	5,071	3,324
Pardus Oil and Gas, LLC(11)	Oil & Gas Exploration & Production	13% PIK Secured Debt (Maturity—November 12, 2021)	1,826	1,826	1,826
		5% PIK Secured Debt (Maturity—May 13, 2022)	980	980	980
		Member Units (2,472 units)		2,472	2,472
				5,278	5,278

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

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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Paris Presents Incorporated(11)</b>	Branded Cosmetic and Bath Accessories	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—December 31, 2021)(9)	2,000	1,967	1,960
<b>Parq Holdings Limited Partnership(11)(13)</b>	Hotel & Casino Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—December 17, 2020)(9)	7,500	7,388	7,163
<b>Permian Holdings, Inc.(11)</b>	Storage Tank Manufacturer	10.5% Secured Debt (Maturity—January 15, 2018)(14)	2,755	2,740	785
<b>Pernix Therapeutics Holdings, Inc. (10)</b>	Pharmaceutical Royalty	12% Secured Debt (Maturity—August 1, 2020)	3,447	3,447	3,322
<b>Pet Holdings ULC(11)(13)</b>	Retailer of Pet Products and Supplies to Consumers	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—July 5, 2022)(9)	2,500	2,476	2,506
<b>Pike Corporation(11)</b>	Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—June 22, 2022)(9)	14,000	13,711	14,008
<b>Point.360(10)</b>	Fully Integrated Provider of Digital Media Services	Warrants (65,463 equivalent shares) Common Stock (163,658 shares)		69 273	— 105
				<u>342</u>	<u>105</u>
<b>Polycom, Inc.(11)</b>	Provider of Audio and Video Communication Solutions	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—September 27, 2023)(9)	5,500	5,294	5,308
<b>Prowler Acquisition Corp.(11)</b>	Specialty Distributor to the Energy Sector	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity—January 28, 2020)(9)	9,543	7,821	7,301



**MAIN STREET CAPITAL CORPORATION**
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**(dollars in thousands)**
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<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
PT Network, LLC(10)	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.75% (Floor 1.50%), Current Coupon 9.25%, Secured Debt (Maturity—November 1, 2018)(9)	16,335	16,128	16,090
QBS Parent, Inc.(11)	Provider of Software and Services to the Oil & Gas Industry	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity—August 7, 2021)(9)	11,302	11,227	11,189
Raley's(11)	Family-Owned Supermarket Chain	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—May 18, 2022)(9)	4,230	4,157	4,238
Redbox Automated Retail, LLC(11)	Operator of Home Media Entertainment Kiosks	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—September 27, 2021)(9)	15,000	14,550	14,700
Renaissance Learning, Inc.(11)	Technology-based K-12 Learning Solutions	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—April 11, 2022)(9)	3,000	2,977	2,957
RGL Reservoir Operations Inc.(11)(13)	Oil & Gas Equipment and Services	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—August 13, 2021)(9)	3,920	3,832	882
RLJ Entertainment, Inc.(10)	Movie and TV Programming Licensee and Distributor	LIBOR Plus 8.75% (Floor 0.25%), Current Coupon 9.54%, Secured Debt (Maturity—September 11, 2019)(9)	9,009	9,009	9,009
RM Bidder, LLC(10)	Scripted and Unscripted TV and Digital Programming Provider	Warrants (327,532 equivalent units) Member Units (2,779 units)		425 46	300 44
				<u>471</u>	<u>344</u>
SAExploration, Inc.(10)(13)	Geophysical				

Services  
Provider

Common Stock (50 shares)

65

27



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

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**(Unaudited)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>SAFETY Investment Holdings, LLC</b>	Provider of Intelligent Driver Record Monitoring Software and Services	Member Units (2,000,000 units)		2,000	2,000
<b>Sage Automotive Interiors, Inc(11)</b>	Automotive Textiles Manufacturer	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity—October 8, 2021) (9)	8,138	8,095	8,056
<b>Salient Partners L.P.(11)</b>	Provider of Asset Management Services	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—June 9, 2021)(9)	11,038	10,751	10,568
<b>School Specialty, Inc.(11)</b>	Distributor of Education Supplies and Furniture	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—June 11, 2019)(9)	5,712	5,624	5,655
<b>Sigma Electric Manufacturing Corporation(10)(13)</b>	Manufacturer and Distributor of Electrical Fittings and Parts	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—May 13, 2019)(9)	9,328	9,328	9,328
<b>Sorenson Communications, Inc.(11)</b>	Manufacturer of Communication Products for Hearing Impaired	LIBOR Plus 5.75% (Floor 2.25%), Current Coupon 8.00%, Secured Debt (Maturity—April 30, 2020)(9)	13,405	13,311	13,405
<b>Sotera Defense Solutions, Inc.(11)</b>	Defense Industry Intelligence Services	LIBOR Plus 7.50% (Floor 1.50%), Current Coupon 9.00%, Secured Debt (Maturity—April 21, 2017)(9)	9,436	9,339	9,059
<b>Stardust Finance Holdings, Inc.(11)</b>	Manufacturer of Diversified Building Products	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—March 13, 2022) (9)	12,854	12,722	12,814
<b>Subsea Global Solutions, LLC(10)</b>	Underwater Maintenance and Repair Services	LIBOR Plus 6.00% (Floor 1.50%), Current Coupon 7.50%, Secured			

Debt (Maturity—March 17, 2020)  
(9)

5,629

5,586

5,512

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Synagro Infrastructure Company, Inc(11)	Waste Management Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity—August 22, 2020) (9)	4,714	4,655	3,971
<b>Targus International, LLC(11)</b>	Distributor of Protective Cases for Mobile Devices	15% PIK Secured Debt (Maturity—December 31, 2019) Common Stock (Targus Cayman HoldCo Limited) (249,614 shares) (13)	1,099	1,099	1,099
				<u>2,555</u>	<u>2,260</u>
				3,654	3,359
<b>TeleGuam Holdings, LLC(11)</b>	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity—December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity—June 10, 2019)(9)	7,642	7,632	7,603
			10,500	<u>10,436</u>	<u>10,448</u>
				18,068	18,051
<b>Templar Energy LLC(11)</b>	Oil & Gas Exploration & Production	Member Units (97,048 units)		970	704
<b>The Topps Company, Inc.(11)</b>	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity—October 2, 2020) (9)	2,224	2,214	2,216
<b>TOMS Shoes, LLC(11)</b>	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—October 30, 2020) (9)	4,925	4,560	3,644
<b>Travel Leaders Group, LLC(11)</b>	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—December 7, 2020)(9)	11,155	11,091	11,114
<b>Truck Bodies and Equipment International, Inc.(10)</b>	Manufacturer of Dump Truck Bodies and Dump Trailers	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—March 31, 2021) (9)	15,750	15,595	15,595



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
UniRush, LLC	Provider of Prepaid Debit Card Solutions	12% Secured Debt (Maturity—February 1, 2019)	12,000	10,880	10,880
		Warrants (444,725 equivalent units)		<u>1,250</u>	<u>1,250</u>
				12,130	12,130
U.S. TelePacific Corp.(10)	Provider of Communications and Managed Services	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—February 24, 2021)(9)	7,500	7,371	7,371
US Joiner Holding Company(11)	Marine Interior Design and Installation	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—April 16, 2020)(9)	9,600	9,535	9,552
VCVH Holding Corp. (Verisk)(11)	Healthcare Technology Services Focused on Revenue Maximization	LIBOR Plus 9.25% (Floor 1.00%), Current Coupon 10.25%, Secured Debt (Maturity—June 1, 2024)(9)	1,500	1,463	1,493
Virtex Enterprises, LP(10)	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity—December 27, 2018)	1,667	1,548	1,548
		Preferred Class A Units (14 units; 5% cumulative)(8)		333	581
		Warrants (11 equivalent units)		<u>186</u>	<u>198</u>
				2,067	2,327
Vivid Seats LLC(11)	Provider of Online Secondary Ticket Marketplace	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—March 1, 2022)(9)	4,938	4,619	4,956
Wellnext, LLC(10)	Manufacturer of Supplements and Vitamins	LIBOR Plus 9.00% (Floor 0.50%), Current Coupon 9.85%, Secured Debt (Maturity—May 23, 2021)(9)	10,122	10,027	10,027
Western Dental Services, Inc.(11)	Dental Care Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—November 1, 2018)(9)	4,904	4,902	4,898



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Wilton Brands LLC(11)	Specialty Housewares Retailer	LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity—August 30, 2018) (9)	1,358	1,349	1,134
Worley Claims Services, LLC(10)	Insurance Adjustment Management and Services Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity—October 31, 2020) (9)	6,386	6,340	6,169
YP Holdings LLC(11)	Online and Offline Advertising Operator	LIBOR Plus 11.00% (Floor 1.25%), Current Coupon 12.25%, Secured Debt (Maturity—June 4, 2018)(9)	11,182	10,621	10,847
Zilliant Incorporated	Price Optimization and Margin Management Solutions	Preferred Stock (186,777 shares) Warrants (952,500 equivalent shares)		154 1,071	260 1,190
				<u>1,225</u>	<u>1,450</u>
<b>Subtotal Non-Control/Non-Affiliate Investments (53.1% of total investments at fair value)</b>				<b>\$ 1,046,923</b>	<b>\$ 1,019,743</b>
<b>Total Portfolio Investments, September 30, 2016</b>				<b>\$ 1,816,666</b>	<b>\$ 1,920,267</b>

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**September 30, 2016**

**(dollars in thousands)**

**(Unaudited)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Marketable Securities and Idle Funds Investments</b>					
<b>Other Marketable Securities and Idle Funds Investments(13)(15)</b>	Investments in Marketable Securities and Diversified, Registered Bond Funds			\$ —	\$ —
<b>Subtotal Marketable Securities and Idle Funds Investments (0.0% of total investments at fair value)</b>			\$ —	\$ —	\$ —
<b>Total Investments, September 30, 2016</b>			<u>\$ 1,816,666</u>	<u>\$ 1,920,267</u>	

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. See Note B for a description of Lower Middle Market portfolio investments. All of the Company's investments, unless otherwise noted, are encumbered either as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C for a summary of geographic location of portfolio companies.
- (4) Principal is net of repayments. Cost is net of repayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9) Index based floating interest rate is subject to contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at September 30, 2016. As noted in this schedule, 62% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.25% and 2.25%.
- (10) Private Loan portfolio investment. See Note B for a description of Private Loan portfolio investments.
- (11) Middle Market portfolio investment. See Note B for a description of Middle Market portfolio investments.
- (12) Other Portfolio investment. See Note B for a description of Other Portfolio investments.
- (13) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.
- (14) Non-accrual and non-income producing investment.
- (15) Marketable securities and idle fund investments.
- (16) External Investment Manager. Investment is not encumbered as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (17) Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.
- (18) Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investments in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investments in this portfolio company are on non-accrual status.



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments**
**December 31, 2015**
**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Control Investments(5)</b>					
<b>Access Media Holdings, LLC(10)</b>	Private Cable Operator	5.00% Current / 5.00% PIK Secured Debt (Maturity—July 22, 2020)	\$ 21,554	\$ 21,554	\$ 20,380
		Preferred Member Units (4,500,000 units; 12% cumulative)		4,394	2,000
		Member Units (45 units)		<u>1</u>	<u>—</u>
				25,949	22,380
<b>AmeriTech College, LLC</b>	For-Profit Nursing and Healthcare College	10% Secured Debt (Maturity—May 15, 2016)	514	514	514
		10% Secured Debt (Maturity—November 30, 2019)	489	489	489
		10% Secured Debt (Maturity—January 31, 2020)	3,025	3,025	3,025
		Preferred Member Units (294 units; 5%)(8)		<u>2,291</u>	<u>2,291</u>
				6,319	6,319
<b>ASC Interests, LLC</b>	Recreational and Educational Shooting Facility	11% Secured Debt (Maturity—July 31, 2018)	2,500	2,470	2,500
		Member Units (1,500 units)(8)		<u>1,500</u>	<u>2,230</u>
				3,970	4,730
<b>Bond-Coat, Inc</b>	Casing and Tubing Coating Services	12% Secured Debt (Maturity—December 28, 2017)	11,596	11,521	11,596
		Common Stock (57,508 shares)		<u>6,350</u>	<u>9,140</u>
				17,871	20,736
<b>Café Brazil, LLC</b>	Casual Restaurant Group	Member Units (1,233 units)(8)		1,742	7,330
<b>CBT Nuggets, LLC</b>	Produces and Sells IT Training Certification Videos	Member Units (416 units)(8)		1,300	42,120
<b>CMS Minerals LLC</b>	Oil & Gas Exploration & Production	Preferred Member Units (458 units) (8)		2,967	6,914
<b>Datacom, LLC</b>	Technology and Telecommunications Provider	10.5% Secured Debt (Maturity—May 31, 2019)	11,205	11,122	10,970
		Class A Preferred Member Units (15% cumulative)(8)		1,181	1,181
		Class B Preferred Member Units (6,453 units)		<u>6,030</u>	<u>5,079</u>
				18,333	17,230

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Garreco, LLC	Manufacturer and Supplier of Dental Products	14% Secured Debt (Maturity—January 12, 2018)	5,800	5,739	5,739
		Member Units (1,200 units)		<u>1,200</u>	<u>1,270</u>
				6,939	7,009
GRT Rubber Technologies LLC	Manufacturer of Engineered Rubber Products	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—December 19, 2019)(9)	16,122	15,988	15,988
		Member Units (5,879 units)		<u>13,065</u>	<u>15,580</u>
				29,053	31,568
Gulf Manufacturing, LLC	Manufacturer of Specialty Fabricated Industrial Piping Products	9% PIK Secured Debt (Ashland Capital IX, LLC) (Maturity—June 30, 2017)	777	777	777
		Member Units (438 units)(8)		<u>2,980</u>	<u>13,770</u>
				3,757	14,547
Harrison Hydra-Gen, Ltd.	Manufacturer of Hydraulic Generators	9% Secured Debt (Maturity—January 8, 2016)	5,010	5,010	5,010
		Preferred Stock (8% cumulative)(8)		1,361	1,361
		Common Stock (107,456 shares)		<u>718</u>	<u>2,600</u>
				7,089	8,971
Hawthorne Customs and Dispatch Services, LLC	Facilitator of Import Logistics, Brokerage, and Warehousing	Member Units (500 units)(8)		589	460
		Member Units (Wallisville Real Estate, LLC) (588,210 units)(8)		<u>1,215</u>	<u>2,220</u>
				1,804	2,680
HW Temps LLC	Temporary Staffing Solutions	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 10.50%, Secured Debt (Maturity July 2, 2020)(9)	9,976	9,884	9,884
		Preferred Member Units (3,200 units) (8)		<u>3,942</u>	<u>3,942</u>
				13,826	13,826
Hydratec, Inc	Designer and Installer of Micro-Irrigation Systems	Common Stock (7,095 shares)(8)		7,095	14,950

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>IDX Broker, LLC</b>	Provider of Marketing and CRM Tools for the Real Estate Industry	12.5% Secured Debt (Maturity—November 15, 2018)	11,350	11,281	11,350
		Member Units (5,400 units)		<u>5,606</u>	<u>6,440</u>
				16,887	17,790
<b>Indianapolis Aviation Partners, LLC</b>	Fixed Base Operator	15% Secured Debt (Maturity—January 15, 2016)	3,100	3,095	3,100
		Warrants (1,046 equivalent units)		<u>1,129</u>	<u>2,540</u>
				4,224	5,640
<b>Jensen Jewelers of Idaho, LLC</b>	Retail Jewelry Store	Prime Plus 6.75% (Floor 2.00%), Current Coupon 10.25%, Secured Debt (Maturity—November 14, 2016)(9)	4,055	4,028	4,055
		Member Units (627 units)(8)		<u>811</u>	<u>4,750</u>
				4,839	8,805
<b>Lamb's Venture, LLC</b>	Aftermarket Automotive Services Chain	11% Secured Debt (Maturity—May 31, 2018)	7,962	7,961	7,962
		Preferred Equity (non-voting)		328	328
		Member Units (742 units)		5,273	4,690
		9.5% Secured Debt (Lamb's Real Estate Investment I, LLC) (Maturity—October 1, 2025)	919	919	919
		Member Units (Lamb's Real Estate Investment I, LLC) (1,000 units)(8)		<u>625</u>	<u>1,240</u>
				15,106	15,139
<b>Lighting Unlimited, LLC</b>	Commercial and Residential Lighting Products and Design Services	8% Secured Debt (Maturity—August 22, 2016)	1,514	1,514	1,514
		Preferred Equity (non-voting)		434	430
		Warrants (71 equivalent units)		54	40
		Member Units (700 units)(8)		<u>100</u>	<u>350</u>
				2,102	2,334
<b>Marine Shelters Holdings, LLC (LoneStar Marine Shelters)</b>	Fabricator of Marine and Industrial Shelters	12% PIK Secured Debt (Maturity—December 28, 2017)	9,053	8,967	8,870
		Preferred Member Units (3,810 units)		<u>5,352</u>	<u>4,881</u>
				14,319	13,751
<b>MH Corbin Holding LLC</b>	Manufacturer and distributor of traffic safety products	10% Secured Debt (Maturity—August 31, 2020)	14,000	13,869	13,869
		Preferred Member Units (4,000 shares)		<u>6,000</u>	<u>6,000</u>
				19,869	19,869



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Mid-Columbia Lumber Products, LLC	Manufacturer of Finger-Jointed Lumber Products	10% Secured Debt (Maturity—December 18, 2017)	1,750	1,750	1,750
		12% Secured Debt (Maturity—December 18, 2017)	3,900	3,900	3,900
		Member Units (2,829 units)		1,244	2,580
		9.5% Secured Debt (Mid—Columbia Real Estate, LLC) (Maturity—May 13, 2025)	881	881	881
		Member Units (Mid—Columbia Real Estate, LLC) (250 units)(8)		<u>250</u>	<u>550</u>
				8,025	9,661
MSC Adviser I, LLC(16)	Third Party Investment Advisory Services	Member Units (Fully diluted 100.0%)(8)		—	27,272
Mystic Logistics Holdings, LLC	Logistics and Distribution Services Provider for Large Volume Mailers	12% Secured Debt (Maturity—August 15, 2019)	9,448	9,282	9,448
		Common Stock (5,873 shares)(8)		<u>2,720</u>	<u>5,970</u>
				12,002	15,418
NAPCO Precast, LLC	Precast Concrete Manufacturing	Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity—January 31, 2016)(9)	625	625	625
		Prime Plus 2.00% (Floor 7.00%), Current Coupon 9.00%, Secured Debt (Maturity—February 1, 2016)(9)	3,380	3,379	3,380
		18% Secured Debt (Maturity—February 1, 2016)	4,924	4,923	4,924
		Member Units (2,955 units)(8)		<u>2,975</u>	<u>8,590</u>
				11,902	17,519
NRI Clinical Research, LLC	Clinical Research Service Provider	14% Secured Debt (Maturity—September 8, 2017)	4,617	4,539	4,539
		Warrants (251,723 equivalent units)		252	340
		Member Units (1,454,167 units)		<u>765</u>	<u>1,342</u>
				5,556	6,221
NRP Jones, LLC	Manufacturer of Hoses, Fittings and Assemblies	12% Secured Debt (Maturity—December 22, 2016)	13,224	12,948	12,948
		Warrants (14,331 equivalent units)		817	450
		Member Units (50,877 units)		<u>2,900</u>	<u>1,480</u>
				16,665	14,878
OMi Holdings, Inc.	Manufacturer of Overhead Cranes	Common Stock (1,500 shares)		1,080	13,640



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

**December 31, 2015**

**(dollars in thousands)**

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Pegasus Research Group, LLC</b> (Televerde)	Provider of Telemarketing and Data Services	Member Units (460 units)(8)		1,290	6,840
<b>PPL RVs, Inc.</b>	Recreational Vehicle Dealer	11.1% Secured Debt (Maturity—July 1, 2016)	9,710	9,710	9,710
		Common Stock (1,962 shares)		<u>2,150</u>	<u>9,770</u>
				11,860	19,480
<b>Principle Environmental, LLC</b>	Noise Abatement Service Provider	12% Secured Debt (Maturity—April 30, 2017)	4,060	4,039	4,060
		12% Current / 2% PIK Secured Debt (Maturity—April 30, 2017)	3,310	3,309	3,310
		Preferred Member Units (19,631 units)(8)		4,663	6,060
		Warrants (1,036 equivalent units)		<u>1,200</u>	<u>310</u>
				13,211	13,740
<b>Quality Lease Service, LLC</b>	Provider of Rigsite Accommodation Unit Rentals and Related Services	8% PIK Secured Debt (Maturity—June 8, 2020)	6,538	6,538	6,538
		Member Units (1,000 units)		<u>568</u>	<u>2,638</u>
				7,106	9,176
<b>River Aggregates, LLC</b>	Processor of Construction Aggregates	Zero Coupon Secured Debt (Maturity—June 30, 2018)	750	556	556
		Member Units (1,150 units)(8)		1,150	3,830
		Member Units (RA Properties, LLC) (1,500 units)		<u>369</u>	<u>2,360</u>
				2,075	6,746
<b>SoffTouch Medical Holdings LLC</b>	Home Provider of Pediatric Durable Medical Equipment	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—October 31, 2019) (9)	8,075	8,010	8,010
		Member Units (4,450 units)(8)		<u>4,930</u>	<u>5,710</u>
				12,940	13,720
<b>Southern RV, LLC</b>	Recreational Vehicle Dealer	13% Secured Debt (Maturity—August 8, 2018)	11,400	11,296	11,400
		Member Units (1,680 units)(8)		1,680	15,100
		13% Secured Debt (Southern RV Real Estate, LLC) (Maturity—August 8, 2018)	3,250	3,220	3,250
		Member Units (Southern RV Real Estate, LLC) (480 units)		<u>480</u>	<u>1,200</u>
				16,676	30,950





**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>	
<b>The MPI Group, LLC</b>	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	9% Secured Debt (Maturity—October 2, 2018)	2,924	2,921	2,921	
		Series A Preferred Units (2,500 units; 10% Cumulative)		2,500	690	
		Warrants (1,424 equivalent units)		1,096	—	
		Member Units (MPI Real Estate Holdings, LLC) (100% Fully diluted)(8)			<u>2,300</u>	<u>2,230</u>
					8,817	5,841
<b>Travis Acquisition LLC</b>	Manufacturer of Aluminum Trailers	12% Secured Debt (Maturity—August 30, 2018)	3,513	3,471	3,513	
		Member Units (7,282 units)		<u>7,100</u>	<u>14,480</u>	
				10,571	17,993	
<b>Uvalco Supply, LLC</b>	Farm and Ranch Supply Store	9% Secured Debt (Maturity—January 1, 2019)	1,314	1,314	1,314	
		Member Units (2,011 units)(8)		<u>3,843</u>	<u>5,460</u>	
				5,157	6,774	
<b>Vision Interests, Inc.</b>	Manufacturer / Installer of Commercial Signage	13% Secured Debt (Maturity—December 23, 2016)	3,071	3,052	3,052	
		Series A Preferred Stock (3,000,000 shares)		3,000	3,550	
		Common Stock (1,126,242 shares)		<u>3,706</u>	<u>210</u>	
				9,758	6,812	
<b>Ziegler's NYPD, LLC</b>	Casual Restaurant Group	6.5% Secured Debt (Maturity—October 1, 2019)	1,000	992	992	
		12% Secured Debt (Maturity—October 1, 2019)	500	500	500	
		14% Secured Debt (Maturity—October 1, 2019)	2,750	2,750	2,750	
		Warrants (587 equivalent units)		600	50	
		Preferred Member Units (10,072 units)		<u>2,834</u>	<u>3,400</u>	
				<u>7,676</u>	<u>7,692</u>	
<b>Subtotal Control Investments (30.8% of total investments at fair value)</b>				<u>\$ 387,727</u>	<u>\$ 555,011</u>	

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

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u> <u>Affiliate Investments(6)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>AFG Capital Group, LLC</b>	Provider of Rent-to-Own Financing Solutions and Services	11% Secured Debt (Maturity—November 7, 2019)	\$ 12,960	\$ 12,611	\$ 12,790
		Warrants (42 equivalent units)		259	490
		Member Units (186 units)		<u>1,200</u>	<u>2,020</u>
				14,070	15,300
<b>Boss Industries, LLC</b>	Manufacturer and Distributor of Air, Power and Other Industrial Equipment	Preferred Member Units (2,242 units) (8)		2,246	2,586
<b>Bridge Capital Solutions Corporation</b>	Financial Services and Cash Flow Solutions Provider	13% Secured Debt (Maturity—April 18, 2017)	7,000	6,890	6,890
		Warrants (22 equivalent shares)		<u>200</u>	<u>1,300</u>
				7,090	8,190
<b>Buca C, LLC</b>	Casual Restaurant Group	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—June 30, 2020)(9)	25,530	25,299	25,299
		Preferred Member Units (6 units; 6% cumulative)(8)		<u>3,711</u>	<u>3,711</u>
				29,010	29,010
<b>CAI Software LLC</b>	Provider of Specialized Enterprise Resource Planning Software	12% Secured Debt (Maturity—October 10, 2019)	4,661	4,624	4,661
		Member Units (65,356 units)		<u>654</u>	<u>1,000</u>
				5,278	5,661
<b>Condit Exhibits, LLC</b>	Tradeshaw Exhibits / Custom Displays Provider	Member Units (3,936 units)(8)		100	1,010
<b>Congruent Credit Opportunities Funds(12)(13)</b>	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP) (Fully diluted 19.8%)(8)		6,612	2,834
		LP Interests (Congruent Credit Opportunities Fund III, LP) (Fully diluted 17.4%)(8)		<u>12,020</u>	<u>12,024</u>
				18,632	14,858

**Daseke, Inc.**

Specialty  
Transportation  
Provider

12% Current / 2.5% PIK Secured Debt (Maturity—July 31, 2018)	21,253	21,003	21,253
Common Stock (19,467 shares)		<u>5,213</u>	<u>22,660</u>
		26,216	43,913

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

**December 31, 2015**

**(dollars in thousands)**

Portfolio Company(1)	Business Description	Type of Investment(2)(3)	Principal(4)	Cost(4)	Fair Value
<b>Dos Rios Partners(12)(13)</b>	Investment Partnership	LP Interests (Dos Rios Partners, LP) (Fully diluted 20.2%)		3,104	2,031
		LP Interests (Dos Rios Partners—A, LP) (Fully diluted 6.4%)		986	648
				<u>4,090</u>	<u>2,679</u>
<b>East Teak Fine Hardwoods, Inc</b>	Distributor of Hardwood Products	Common Stock (6,250 shares)(8)		480	860
<b>East West Copolymer &amp; Rubber, LLC</b>	Manufacturer of Synthetic Rubbers	12% Secured Debt (Maturity—October 17, 2019)	9,600	9,463	9,463
		Warrants (2,510,790 equivalent units)		50	50
				<u>9,513</u>	<u>9,513</u>
<b>EIG Traverse Co-Investment, L.P. (12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 6.6%)(8)		4,755	4,755
<b>Freeport Financial Funds(12)(13)</b>	Investment Partnership	LP Interests (Freeport Financial SBIC Fund LP) (Fully diluted 9.9%)(8)		5,974	6,045
		LP Interests (Freeport First Lien Loan Fund III LP) (Fully diluted 6.4%)		2,077	2,077
				<u>8,051</u>	<u>8,122</u>
<b>Gault Financial, LLC (RMB Capital, LLC)</b>	Purchases and Manages Liquidation of Distressed Assets	10% Secured Debt (Maturity—November 21, 2016)	13,046	12,896	10,930
		Warrants (29,025 equivalent units)		400	—
				<u>13,296</u>	<u>10,930</u>
<b>Glowpoint, Inc.</b>	Provider of Cloud Managed Video Collaboration Services	8% Secured Debt (Maturity—October 18, 2018)	400	397	397
		12% Secured Debt (Maturity—October 18, 2018)	9,000	8,929	8,929
		Common Stock (7,711,517 shares)		3,958	3,840
				<u>13,284</u>	<u>13,166</u>
<b>Guerdon Modular Holdings, Inc</b>	Multi-Family and Commercial Modular Construction Company	13% Secured Debt (Maturity—August 13, 2019)	10,400	10,280	10,280
		Common Stock (170,577 shares)		2,983	1,990
				<u>13,263</u>	<u>12,270</u>
<b>Houston Plating and Coatings, LLC</b>	Provider of Plating and Industrial Coating Services	Member Units (248,082 units)(8)		996	8,440



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
I-45 SLF LLC(12)(13)	Investment Partnership	Member units (Fully diluted 20.0%; 24.4% profits interest)		7,200	7,200
<b>Indianhead Pipeline Services, LLC</b>	Provider of Pipeline Support Services	12% Secured Debt (Maturity— February 6, 2017)	6,000	5,853	5,853
		Preferred Member Units (33,819 units; 8% cumulative)		2,302	2,302
		Warrants (31,928 equivalent units)		459	—
		Member Units (14,732 units)		<u>1</u>	<u>—</u>
				8,615	8,155
<b>KBK Industries, LLC</b>	Manufacturer of Specialty Oilfield and Industrial Products	12.5% Secured Debt (Maturity— September 28, 2017)	5,900	5,875	5,900
		Member Units (250 units)(8)		<u>341</u>	<u>3,680</u>
				6,216	9,580
<b>L.F. Manufacturing Holdings, LLC(10)</b>	Manufacturer of Fiberglass Products	Member Units (2,179,001 units)(8)		2,019	1,485
<b>MPS Denver, LLC</b>	Specialty Card Printing	Member Units (13,800 units)		1,130	1,130
<b>OnAsset Intelligence, Inc</b>	Provider of Transportation Monitoring / Tracking Products and Services	12% PIK Secured Debt (Maturity— December 31, 2015)(17)	4,006	4,006	4,006
		Preferred Stock (912 shares; 7% cumulative)(8)		1,981	1,380
		Warrants (5,333 equivalent shares)		<u>1,919</u>	<u>—</u>
				7,906	5,386
<b>OPI International Ltd.(13)</b>	Provider of Man Camp and Industrial Storage Services	10% Unsecured Debt (Maturity— April 8, 2018)	473	473	473
		Common Stock (20,766,317 shares)		<u>1,371</u>	<u>3,200</u>
				1,844	3,673
<b>PCI Holding Company, Inc</b>	Manufacturer of Industrial Gas Generating Systems	Preferred Stock (1,500,000 shares; 20% cumulative)(8)		2,762	4,887
<b>Radial Drilling Services Inc</b>	Oil and Gas Lateral Drilling Technology Provider	12% Secured Debt (Maturity—			

November 22, 2016(14)	4,200	3,941	1,500
Warrants (316 equivalent shares)		<u>758</u>	<u>—</u>
		4,699	1,500

**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**December 31, 2015**
**(dollars in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Rocaccia, LLC (Quality Lease and Rental Holdings, LLC)</b>	Provider of Rigsite Accommodation Unit Rentals and Related Services	12% Secured Debt (Maturity— January 8, 2018)(14)(18)	30,785	30,281	250
		Preferred Member Units (250 units)		<u>2,500</u>	<u>—</u>
				32,781	250
<b>Samba Holdings, Inc</b>	Provider of Intelligent Driver Record Monitoring Software and Services	12.5% Secured Debt (Maturity— November 17, 2016)	24,662	24,553	24,662
		Common Stock (170,963 shares)		<u>2,087</u>	<u>30,220</u>
				26,640	54,882
<b>Tin Roof Acquisition Company</b>	Casual Restaurant Group	12% Secured Debt (Maturity— November 13, 2018)	13,994	13,807	13,807
		Class C Preferred Stock (Fully diluted 10.0%; 10% cumulative)(8)		<u>2,477</u>	<u>2,477</u>
				16,284	16,284
<b>UniTek Global Services, Inc.(11)</b>	Provider of Outsourced Infrastructure Services	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—January 13, 2019) (9)	2,826	2,826	2,812
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50% / 1.00% PIK, Current Coupon Plus PIK 10.50%, Secured Debt (Maturity— January 13, 2019)(9)	1,261	1,261	1,255
		15% PIK Unsecured Debt (Maturity —July 13, 2019)	641	641	638
		Preferred Stock (4,935,377 shares)		4,935	5,540
		Common Stock (705,054 shares)		<u>—</u>	<u>—</u>
				9,663	10,245
<b>Universal Wellhead Services Holdings, LLC(10)</b>	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Class A Preferred Units (4,000,000 units; 4.5% cumulative)(8)		4,000	3,000
<b>Volusion, LLC</b>	Provider of Online Software-as-a-Service eCommerce Solutions	10.5% Secured Debt (Maturity— January 26, 2020)	17,500	16,199	16,199
		Preferred Member Units (4,876,670 units)		14,000	14,000
		Warrants (950,618 equivalent units)		<u>1,400</u>	<u>1,400</u>
				<u>31,599</u>	<u>31,599</u>
<b>Subtotal Affiliate Investments (19.4% of total investments at fair value)</b>				<b>\$ 333,728</b>	<b>\$ 350,519</b>





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

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Non-Control/Non-Affiliate Investments(7)</b>					
<b>AccuMED, Corp.(10)</b>	Medical Device Contract Manufacturer	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—October 29, 2020) (9)	\$ 9,750	\$ 9,648	\$ 9,648
<b>Adams Publishing Group, LLC(10)</b>	Local Newspaper Operator	LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity—November 3, 2020)(9)	9,506	9,329	9,328
<b>Ahead, LLC(10)</b>	IT Infrastructure Value Added Reseller	LIBOR Plus 6.50%, Current Coupon 6.76%, Secured Debt (Maturity—November 2, 2020)	15,000	14,562	14,625
<b>Allflex Holdings III Inc.(11)</b>	Manufacturer of Livestock Identification Products	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—July 19, 2021)(9)	10,150	10,080	10,008
<b>AM General LLC(11)</b>	Specialty Vehicle Manufacturer	LIBOR Plus 9.00% (Floor 1.25%), Current Coupon 10.25%, Secured Debt (Maturity—March 22, 2018) (9)	2,256	2,221	1,867
<b>AM3 Pinnacle Corporation(10)</b>	Provider of Comprehensive Internet, TV and Voice Services for Multi-Dwelling Unit Properties	Common Stock (60,240 shares)		2,000	—
<b>American Seafoods Group, LLC(11)</b>	Catcher-Processor of Alaskan Pollock	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—August 19, 2021) (9)	9,975	9,963	9,892
<b>AMF Bowling Centers, Inc.(11)</b>	Bowling Alley Operator	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—September 18, 2021)(9)	7,907	7,802	7,835
<b>Anchor Hocking, LLC(11)</b>	Household Products Manufacturer	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—June 4, 2018)(9)	2,306	2,306	2,179
		Member Units (440,620 units)		4,928	3,250
				7,234	5,429



**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
AP Gaming I, LLC(10)	Developer, Manufacturer, and Operator of Gaming Machines	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—December 20, 2020)(9)	11,314	11,108	10,946
Apex Linen Service, Inc	Industrial Launderers	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—October 30, 2022) (9)	1,600	1,600	1,600
		13% Secured Debt (Maturity—October 30, 2022)	12,000	<u>11,926</u>	<u>11,926</u>
				13,526	13,526
Applied Products, Inc.(10)	Adhesives Distributor	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—September 30, 2019)(9)	5,813	5,759	5,683
Arcus Hunting LLC.(10)	Manufacturer of Bowhunting and Archery Products and Accessories	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—November 13, 2019)(9)	9,540	9,429	9,429
Artel, LLC(11)	Provider of Secure Satellite Network and IT Solutions	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity—November 27, 2017)(9)	7,854	7,585	6,716
ATS Workholding, Inc.(10)	Manufacturer of Machine Cutting Tools and Accessories	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—March 10, 2019) (9)	6,492	6,452	6,230
ATX Networks Corp.(11)(13)	Provider of Radio Frequency Management Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—June 14, 2021)(9)	14,925	14,647	14,701
Barfly Ventures, LLC(10)	Casual Restaurant Group	12% Secured Debt (Maturity—August 31, 2020)	4,121	4,042	4,042
		Warrant (1 equivalent unit)		<u>473</u>	<u>473</u>
				4,515	4,515



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**December 31, 2015**
**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Berry Aviation, Inc.(10)</b>	Airline Charter Service Operator	12.00% Current / 1.75% PIK Secured Debt (Maturity—January 30, 2020) Common Stock (553 shares)	5,627	5,578 400	5,578 400
				5,978	5,978
<b>Bioventus LLC(10)</b>	Production of Orthopedic Healing Products	LIBOR Plus 10.00% (Floor 1.00%), Current Coupon 11.00%, Secured Debt (Maturity—April 10, 2020)(9)	5,000	4,917	4,925
<b>Blackbrush Oil and Gas LP(11)</b>	Oil & Gas Exploration	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—July 30, 2021)(9)	4,000	3,975	3,230
<b>Blackhawk Specialty Tools LLC(11)</b>	Oilfield Equipment & Services	LIBOR Plus 5.25% (Floor 1.25%), Current Coupon 6.50%, Secured Debt (Maturity—August 1, 2019)(9)	5,892	5,866	5,450
<b>Blue Bird Body Company(11)</b>	School Bus Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—June 26, 2020)(9)	4,702	4,646	4,669
<b>Bluestem Brands, Inc.(11)(13)</b>	Multi-Channel Retailer of General Merchandise	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—November 6, 2020)(9)	13,632	13,358	12,780
<b>Brainworks Software, LLC(10)</b>	Advertising Sales and Newspaper Circulation Software	Prime Plus 7.25% (Floor 3.25%), Current Coupon 10.75%, Secured Debt (Maturity—July 22, 2019)(9) LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—July 22, 2019)(9)	626 6,185	620 6,126	620 6,012
				6,746	6,632
<b>Brightwood Capital Fund III, LP(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 1.6%)(8)		11,250	11,125
<b>Brundage-Bone Concrete Pumping, Inc.(11)</b>	Construction Services Provider	10.375% Secured Debt (Maturity—September 1, 2021)	2,500	2,500	2,438
<b>Calloway Laboratories, Inc.(10)</b>	Health Care Testing Facilities	17% PIK Secured Debt (Maturity—September 30, 2016)(14) Warrants (125,000 equivalent shares)	7,324	7,275 17	— —



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

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Cengage Learning Acquisitions, Inc.(11)</b>	Provider of Educational Print and Digital Services	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—March 31, 2020) (9)	9,720	9,672	9,502
<b>Cenveo Corporation(11)</b>	Provider of Commercial Printing, Envelopes, Labels, and Printed Office Products	6% Secured Debt (Maturity—August 1, 2019)	5,230	4,544	3,687
<b>CGSC of Delaware Holdings Corp. (11)(13)</b>	Insurance Brokerage Firm	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity—October 16, 2020) (9)	2,000	1,979	1,900
<b>Charlotte Russe, Inc(11)</b>	Fast-Fashion Retailer to Young Women	LIBOR Plus 5.50% (Floor 1.25%), Current Coupon 6.75%, Secured Debt (Maturity—May 22, 2019)(9)	14,346	14,065	10,031
<b>Clarius ASIG, LLC(10)</b>	Prints & Advertising Film Financing	15% PIK Secured Debt (Maturity—September 14, 2014)(17)	620	620	620
<b>Clarius BIGS, LLC(10)</b>	Prints & Advertising Film Financing	15% PIK Secured Debt (Maturity—January 5, 2015)(14)(17)	3,386	3,386	563
<b>Compact Power Equipment, Inc</b>	Equipment / Tool Rental	12% Secured Debt (Maturity—October 1, 2017) Series A Preferred Stock (4,298,435 shares)	4,100	4,090	4,100
				<u>1,079</u>	<u>2,930</u>
				5,169	7,030
<b>Compuware Corporation(11)</b>	Provider of Software and Supporting Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity—December 15, 2019)(9)	14,751	14,395	13,998
<b>Covenant Surgical Partners, Inc. (11)</b>	Ambulatory Surgical Centers	8.75% Secured Debt (Maturity—August 1, 2019)	800	800	780
<b>CRGT Inc.(11)</b>	Provider of Custom Software Development	LIBOR Plus 6.50% (Floor 1.00%),			



Current Coupon 7.50%, Secured  
Debt (Maturity—December 19,  
2020)(9)

10,168

10,009

10,118

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>CST Industries Inc.(11)</b>	Storage Tank Manufacturer	LIBOR Plus 6.25% (Floor 1.50%), Current Coupon 7.75%, Secured Debt (Maturity—May 22, 2017)(9)	8,227	8,197	8,145
<b>Darr Equipment LP(10)</b>	Heavy Equipment Dealer	11.75% Current / 2% PIK Secured Debt (Maturity—April 15, 2020) Warrants (915,734 equivalent units)	20,706	20,178 <u>474</u>	19,688 <u>410</u>
				20,652	20,098
<b>Digital River, Inc.(11)</b>	Provider of Outsourced e-Commerce Solutions and Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—February 12, 2021)(9)	8,667	8,588	8,580
<b>Digity Media LLC(11)</b>	Radio Station Operator	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity—February 8, 2019) (9)	6,588	6,539	6,506
<b>Drilling Info Holdings, Inc.</b>	Information Services for the Oil and Gas Industry	Common Stock (3,788,865 shares)		1,335	9,920
<b>ECP-PF Holdings Group, Inc.(10)</b>	Fitness Club Operator	LIBOR Plus 9.00% (Floor 1.00%), Current Coupon 10.00%, Secured Debt (Maturity—November 26, 2019)(9)	5,625	5,579	5,492
<b>EIG Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EIG Global Private Debt fund-A, L.P.) (Fully diluted 0.5%)		718	718
<b>EnCap Energy Fund Investments(12)(13)</b>	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.) (Fully diluted 0.1%)(8)		3,762	2,765
		LP Interests (EnCap Energy Capital Fund VIII Co- Investors, L.P.) (Fully diluted 0.4%)		2,194	1,056
		LP Interests (EnCap Energy Capital Fund IX, L.P.) (Fully diluted 0.1%) (8)		3,075	3,826
		LP Interests (Encap Energy Capital Fund X, L.P.) (Fully diluted 0.1%)		692	692
		LP Interests (EnCap Flatrock Midstream Fund II, L.P.) (Fully diluted 0.8%)(8)		7,350	10,738
		LP Interests (EnCap Flatrock Midstream Fund III, L.P.) (Fully diluted 0.2%)		<u>464</u>	<u>892</u>
				17,537	19,969

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Energy and Exploration Partners, LLC(11)</b>	Oil & Gas Exploration & Production	8.75% Secured Debt (Maturity—January 23, 2016)(14)	221	221	221
		LIBOR Plus 6.75% (Floor 1.00%), Current Coupon 7.75%, Secured Debt (Maturity—January 22, 2019)(9)(14)	9,390	<u>9,048</u>	<u>2,371</u>
				9,269	2,592
<b>Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)(11)(13)</b>	Technology-based Performance Support Solutions	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—April 28, 2022)(9)	7,000	6,838	4,673
<b>Extreme Reach, Inc.(11)</b>	Integrated TV and Video Advertising Platform	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity—February 7, 2020)(9)	8,875	8,866	8,731
<b>Flavors Holdings Inc.(11)</b>	Global Provider of Flavoring and Sweetening Products and Solutions	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity—April 3, 2020)(9)	11,333	11,004	10,086
<b>Fram Group Holdings, Inc.(11)</b>	Manufacturer of Automotive Maintenance Products	LIBOR Plus 5.50% (Floor 1.50%), Current Coupon 7.00%, Secured Debt (Maturity—July 29, 2017)(9)	9,652	9,547	7,275
		LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00%, Secured Debt (Maturity—January 29, 2018)(9)	700	<u>699</u>	<u>350</u>
				10,246	7,625
<b>GI KBS Merger Sub LLC(11)</b>	Outsourced Janitorial Services to Retail/Grocery Customers	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—October 29, 2021)(9)	3,960	3,901	3,742
		LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—April 29, 2022)(9)	800	<u>786</u>	<u>792</u>
				4,687	4,534

**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**December 31, 2015**
**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Grace Hill, LLC(10)</b>	Online Training Tools for the Multi-Family Housing Industry	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—August 15, 2019) (9)	9,450	9,361	9,450
<b>Great Circle Family Foods, LLC(10)</b>	Quick Service Restaurant Franchise	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—October 28, 2019) (9)	7,849	7,783	7,783
<b>Grupo Hima San Pablo, Inc.(11)</b>	Tertiary Care Hospitals	LIBOR Plus 7.00% (Floor 1.50%), Current Coupon 8.50%, Secured Debt (Maturity—January 31, 2018) (9) 13.75% Secured Debt (Maturity—July 31, 2018)	4,863 2,000	4,816 <u>1,942</u>	4,668 <u>1,860</u>
				6,758	6,528
<b>GST Autoleather, Inc.(11)</b>	Automotive Leather Manufacturer	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—July 10, 2020)(9)	9,875	9,797	9,529
<b>Guitar Center, Inc.(11)</b>	Musical Instruments Retailer	6.5% Secured Debt (Maturity—April 15, 2019)	11,000	10,442	9,240
<b>Halcon Resources Corporation(11)</b>	Oil & Gas Exploration & Production	9.75% Unsecured Debt (Maturity—July 15, 2020)	6,925	6,382	2,008
<b>Hojeij Branded Foods, LLC(10)</b>	Multi-Airport, Multi-Concept Restaurant Operator	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—July 27, 2021)(9)	5,344	5,294	5,294
<b>Horizon Global Corporation(11)</b>	Auto Parts Manufacturer	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—June 30, 2021)(9)	9,750	9,568	9,677
<b>Hostway Corporation(11)</b>	Managed Services and Hosting Provider	LIBOR Plus 4.75% (Floor 1.25%), Current Coupon 6.00%, Secured Debt (Maturity—December 13, 2019)(9)	11,179	11,105	11,067
<b>Hunter Defense Technologies, Inc. (11)</b>	Provider of Military and Commercial				

Shelters and  
Systems

LIBOR Plus 5.50% (Floor 1.00%),  
Current Coupon 6.50%, Secured  
Debt (Maturity—August 5, 2019)(9)

6,414

6,366

6,350

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>ICON Health &amp; Fitness, Inc.(11)</b>	Producer of Fitness Products	11.875% Secured Debt (Maturity—October 15, 2016)	6,956	6,907	6,608
<b>iEnergizer Limited(11)(13)</b>	Provider of Business Outsourcing Solutions	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity—May 1, 2019)(9)	8,110	8,030	7,502
<b>Indivior Finance LLC(11)(13)</b>	Specialty Pharmaceutical Company Treating Opioid Dependence	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—December 19, 2019)(9)	7,125	6,759	6,697
<b>Industrial Container Services, LLC(10)</b>	Steel Drum Reconditioner	LIBOR Plus 5.75% (Floor 1.00%), Current Coupon 6.75%, Secured Debt (Maturity—December 31, 2018)(9)	5,000	5,000	5,000
<b>Infinity Acquisition Finance Corp. (11)</b>	Application Software for Capital Markets	7.25% Unsecured Debt (Maturity—August 1, 2022)	4,000	4,000	3,440
<b>Inn of the Mountain Gods Resort and Casino(11)</b>	Hotel & Casino Owner & Operator	9.25% Secured Debt (Maturity—November 30, 2020)	3,851	3,708	3,562
<b>Insurance Technologies, LLC(10)</b>	Illustration and Sales-automation Platforms	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured Debt (Maturity—December 1, 2019)(9)	4,804	4,759	4,759
<b>Intertain Group Limited(11)(13)</b>	Business-to-Consumer Online Gaming Operator	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—April 8, 2022)(9)	9,938	9,782	9,883
<b>iPayment, Inc.(11)</b>	Provider of Merchant Acquisition	LIBOR Plus 5.25% (Floor 1.50%), Current Coupon 6.75%, Secured Debt (Maturity—May 8, 2017)(9)	15,026	14,986	14,446
<b>iQor US Inc.(11)</b>	Business Process Outsourcing Services Provider	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—April 1, 2021)(9)	9,887	9,718	7,942



**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**December 31, 2015**
**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>irth Solutions, LLC</b>	Provider of Damage Prevention Information Technology Services	Member Units (27,893 units)		1,441	1,441
<b>Jackmont Hospitality, Inc.(10)</b>	Franchisee of Casual Dining Restaurants	LIBOR Plus 4.25% (Floor 1.00%), Current Coupon 5.25% / 2.50% PIK, Current Coupon Plus PIK 7.75%, Secured Debt (Maturity—May 26, 2021)(9)	4,357	4,337	4,188
<b>Joerns Healthcare, LLC(11)</b>	Manufacturer and Distributor of Health Care Equipment & Supplies	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—May 9, 2020)(9)	14,805	14,711	14,703
<b>JSS Holdings, Inc.(11)</b>	Aircraft Maintenance Program Provider	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—August 31, 2021)(9)	14,566	14,230	13,765
<b>Kendra Scott, LLC(11)</b>	Jewelry Retail Stores	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—July 17, 2020)(9)	5,875	5,821	5,831
<b>Keypoint Government Solutions, Inc.(11)</b>	Provider of Pre-Employment Screening Services	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity—November 13, 2017)(9)	6,303	6,268	6,271
<b>LaMi Products, LLC(10)</b>	General Merchandise Distribution	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—September 16, 2020)(9)	4,729	4,699	4,699
<b>Lansing Trade Group LLC(11)</b>	Commodity Merchandiser	9.25% Unsecured Debt (Maturity—February 15, 2019)	6,000	6,000	5,625
<b>Larchmont Resources, LLC(11)</b>	Oil & Gas Exploration & Production	LIBOR Plus 8.75% (Floor 1.00%), Current Coupon 9.75%, Secured Debt (Maturity—August 7, 2019)(9)	7,807	7,508	5,543
<b>Leadrock Properties, LLC</b>	Real Estate Investment	10% Secured Debt (Maturity—May 4,			





**MAIN STREET CAPITAL CORPORATION**
**Consolidated Schedule Of Investments (Continued)**
**December 31, 2015**
**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Legendary Pictures Funding, LLC(10)</b>	Producer of TV, Film, and Comic Content	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—April 22, 2020)(9)	7,500	7,372	7,425
<b>LKCM Headwater Investments I, L.P.(12)(13)</b>	Investment Partnership	LP Interests (Fully diluted 2.3%)		2,500	4,875
<b>Looking Glass Investments, LLC(12)(13)</b>	Specialty Consumer Finance	9% Unsecured Debt (Maturity—June 30, 2020)	188	188	188
		Member Units (2.5 units)		125	125
		Member Units (LGI Predictive Analytics LLC) (190,712 units)(8)		<u>188</u>	<u>188</u>
				501	501
<b>MediMedia USA, Inc.(11)</b>	Provider of Healthcare Media and Marketing	LIBOR Plus 6.75% (Floor 1.25%), Current Coupon 8.00%, Secured Debt (Maturity—November 20, 2018)(9)	7,772	7,714	7,422
<b>Messenger, LLC(10)</b>	Supplier of Specialty Stationery and Related Products to the Funeral Industry	LIBOR Plus 7.25% (Floor 1.00%), Current Coupon 8.25%, Secured Debt (Maturity—September 9, 2020)(9)	15,583	15,483	15,583
<b>Milk Specialties Company(11)</b>	Processor of Nutrition Products	LIBOR Plus 7.00% (Floor 1.25%), Current Coupon 8.25%, Secured Debt (Maturity—November 9, 2018)(9)	792	789	792
<b>Minute Key, Inc.</b>	Operator of Automated Key Duplication Kiosks	10% Current / 2% PIK Secured Debt (Maturity—September 19, 2019)	14,186	13,817	13,817
		Warrants (1,437,409 equivalent units)		<u>280</u>	<u>280</u>
				14,097	14,097
<b>Miramax Film NY, LLC(11)</b>	Motion Picture Producer and Distributor	Member Units (500,000 units)(8)		864	864
<b>Mood Media Corporation(11)(13)</b>	Provider of Electronic Equipment	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—May 1, 2019)(9)	14,957	14,827	14,266
<b>New Media Holdings II LLC(11)(13)</b>	Local Newspaper Operator	LIBOR Plus 6.25% (Floor 1.00%)			

LIBOR Plus 0.25% (Floor 1.00%),  
Current Coupon 7.25%, Secured  
Debt (Maturity—June 4, 2020)(9)

9,788

9,635

9,703

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
North American Lifting Holdings, Inc.(11)	Crane Service Provider	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity—November 27, 2020)(9)	997	835	733
North Atlantic Trading Company, Inc.(11)	Marketer/Distributor of Tobacco Products	LIBOR Plus 6.50% (Floor 1.25%), Current Coupon 7.75%, Secured Debt (Maturity—January 13, 2020) (9)	9,676	9,607	9,603
Novitex Intermediate, LLC(11)	Provider of Document Management Services	LIBOR Plus 6.25% (Floor 1.25%), Current Coupon 7.50%, Secured Debt (Maturity—July 7, 2020)(9)	8,692	8,532	8,192
Ospemifene Royalty Sub LLC (QuatRx)(10)	Estrogen-Deficiency Drug Manufacturer and Distributor	11.5% Secured Debt (Maturity—November 15, 2026)	5,071	5,071	3,780
Panolam Industries International, Inc.(11)	Decorative Laminate Manufacturer	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity—August 23, 2017) (9)	9,472	9,429	9,424
Paris Presents Incorporated(11)	Branded Cosmetic and Bath Accessories	LIBOR Plus 8.25% (Floor 1.00%), Current Coupon 9.25%, Secured Debt (Maturity—December 31, 2021)(9)	2,000	1,965	1,960
Parq Holdings Limited Partnership(11)(13)	Hotel & Casino Operator	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—December 17, 2020)(9)	7,500	7,369	7,200
Permian Holdings, Inc.(11)	Storage Tank Manufacturer	10.5% Secured Debt (Maturity—January 15, 2018)	2,755	2,738	1,047
Pernix Therapeutics Holdings, Inc. (10)	Pharmaceutical Royalty	12% Secured Debt (Maturity—August 1, 2020)	3,818	3,818	3,777

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<b>Portfolio Company(1)</b>	<b>Business Description</b>	<b>Type of Investment(2)(3)</b>	<b>Principal(4)</b>	<b>Cost(4)</b>	<b>Fair Value</b>
<b>Pike Corporation(11)</b>	Construction and Maintenance Services for Electric Transmission and Distribution Infrastructure	LIBOR Plus 8.50% (Floor 1.00%), Current Coupon 9.50%, Secured Debt (Maturity—June 22, 2022)(9)	15,000	14,663	14,712
<b>Point.360(10)</b>	Fully Integrated Provider of Digital Media Services	Warrants (65,463 equivalent shares) Common Stock (163,658 shares)		69 <u>273</u>	9 <u>144</u>
				342	153
<b>Prowler Acquisition Corp.(11)</b>	Specialty Distributor to the Energy Sector	LIBOR Plus 4.50% (Floor 1.00%), Current Coupon 5.50%, Secured Debt (Maturity—January 28, 2020)(9)	4,411	3,734	3,749
<b>PT Network, LLC(10)</b>	Provider of Outpatient Physical Therapy and Sports Medicine Services	LIBOR Plus 7.75% (Floor 1.50%), Current Coupon 9.25%, Secured Debt (Maturity—November 1, 2018)(9)	12,047	11,954	11,771
<b>QBS Parent, Inc.(11)</b>	Provider of Software and Services to the Oil & Gas Industry	LIBOR Plus 4.75% (Floor 1.00%), Current Coupon 5.75%, Secured Debt (Maturity—August 7, 2021)(9)	11,389	11,303	11,332
<b>Raley's(11)</b>	Family-owned supermarket chain in California	LIBOR Plus 6.25% (Floor 1.00%), Current Coupon 7.25%, Secured Debt (Maturity—May 18, 2022)(9)	5,094	4,999	5,069
<b>RCHP, Inc.(11)</b>	Regional Non-Urban Hospital Owner/Operator	LIBOR Plus 5.00% (Floor 1.00%), Current Coupon 6.00%, Secured Debt (Maturity—April 23, 2019)(9) LIBOR Plus 10.25% (Floor 1.00%), Current Coupon 11.25%, Secured Debt (Maturity—October 23, 2019)(9)	5,448 4,000	5,426 <u>3,954</u>	5,448 <u>3,953</u>
				9,380	9,401
<b>Renaissance Learning, Inc.(11)</b>	Technology-based K-12 Learning Solutions	LIBOR Plus 7.00% (Floor 1.00%), Current Coupon 8.00%, Secured			

Debt (Maturity—April 11, 2022)(9)

3,000

2,975

2,835

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

**December 31, 2015**

**(dollars in thousands)**

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





**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
Synagro Infrastructure Company, Inc(11)	Waste Management Services	LIBOR Plus 5.25% (Floor 1.00%), Current Coupon 6.25%, Secured Debt (Maturity—August 22, 2020)(9)	4,714	4,647	4,124
Targus Group International(11)	Distributor of Protective Cases for Mobile Devices	LIBOR Plus 9.50% (Floor 1.50%), Current Coupon 11.00% / 1.00% PIK, Current Coupon Plus PIK 12.00%, Secured Debt (Maturity—May 24, 2016)(9)(14)	4,258	4,263	3,119
TeleGuam Holdings, LLC(11)	Cable and Telecom Services Provider	LIBOR Plus 4.00% (Floor 1.25%), Current Coupon 5.25%, Secured Debt (Maturity—December 10, 2018)(9) LIBOR Plus 7.50% (Floor 1.25%), Current Coupon 8.75%, Secured Debt (Maturity—June 10, 2019)(9)	7,975 2,500	7,961 <u>2,484</u>	7,935 <u>2,487</u>
				10,445	10,422
Templar Energy LLC(11)	Oil & Gas Exploration & Production	LIBOR Plus 7.50% (Floor 1.00%), Current Coupon 8.50%, Secured Debt (Maturity—November 25, 2020)(9)	4,000	3,962	485
The Tennis Channel, Inc.(10)	Television-Based Sports Broadcasting	Warrants (114,316 equivalent shares)		235	301
The Topps Company, Inc.(11)	Trading Cards & Confectionary	LIBOR Plus 6.00% (Floor 1.25%), Current Coupon 7.25%, Secured Debt (Maturity—October 2, 2018)(9)	1,960	1,948	1,923
TOMS Shoes, LLC(11)	Global Designer, Distributor, and Retailer of Casual Footwear	LIBOR Plus 5.50% (Floor 1.00%), Current Coupon 6.50%, Secured Debt (Maturity—October 30, 2020)(9)	4,963	4,545	3,387
Travel Leaders Group, LLC(11)	Travel Agency Network Provider	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—December 7, 2020)(9)	8,700	8,638	8,613

**MAIN STREET CAPITAL CORPORATION**

**Consolidated Schedule Of Investments (Continued)**

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
US Joiner Holding Company(11)	Marine Interior Design and Installation	LIBOR Plus 6.00% (Floor 1.00%), Current Coupon 7.00%, Secured Debt (Maturity—April 16, 2020)(9)	7,369	7,341	7,295
Valley Healthcare Group, LLC	Provider of Durable Medical Equipment	LIBOR Plus 12.50% (Floor 0.50%), Current Coupon 13.00%, Secured Debt (Maturity—December 29, 2020)(9)	10,400	10,297	10,297
Vantage Oncology, LLC(11)	Outpatient Radiation Oncology Treatment Centers	9.5% Secured Debt (Maturity—June 15, 2017)	12,050	11,938	10,182
Virtex Enterprises, LP(10)	Specialty, Full-Service Provider of Complex Electronic Manufacturing Services	12% Secured Debt (Maturity—December 27, 2018) Preferred Class A Units (14 units; 5% cumulative)(8) Warrants (11 equivalent units)	1,667	1,516 333 186	1,516 512 135
				2,035	2,163
Vision Solutions, Inc.(11)	Provider of Information Availability Software	LIBOR Plus 8.00% (Floor 1.50%), Current Coupon 9.50%, Secured Debt (Maturity—July 23, 2017)(9)	5,000	4,987	4,750
Western Dental Services, Inc.(11)	Dental Care Services	LIBOR Plus 6.50% (Floor 1.00%), Current Coupon 7.50%, Secured Debt (Maturity—November 1, 2018)(9)	4,904	4,901	4,303
Wilton Brands LLC(11)	Specialty Housewares Retailer	LIBOR Plus 7.25% (Floor 1.25%), Current Coupon 8.50%, Secured Debt (Maturity—August 30, 2018)(9)	1,540	1,524	1,475
Worley Claims Services, LLC(10)	Insurance Adjustment Management and Services Provider	LIBOR Plus 8.00% (Floor 1.00%), Current Coupon 9.00%, Secured Debt (Maturity—October 31, 2020)(9)	6,435	6,381	6,210
YP Holdings LLC(11)	Online and Offline Advertising Operator				

LIBOR Plus 6.75% (Floor 1.25%),  
Current Coupon 8.00%, Secured  
Debt (Maturity—June 4, 2018)(9)

2,455

2,435

2,382

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

**December 31, 2015**

**(dollars in thousands)**

<u>Portfolio Company(1)</u>	<u>Business Description</u>	<u>Type of Investment(2)(3)</u>	<u>Principal(4)</u>	<u>Cost(4)</u>	<u>Fair Value</u>
<b>Zilliant Incorporated</b>	Price Optimization and Margin Management Solutions				
		Preferred Stock (186,777 shares)		154	260
		Warrants (952,500 equivalent shares)		<u>1,071</u>	<u>1,190</u>
				<u>1,225</u>	<u>1,450</u>
<b>Subtotal Non-Control/Non-Affiliate Investments (49.6% of total investments at fair value)</b>				<u>\$ 945,187</u>	<u>\$ 894,466</u>
<b>Total Portfolio Investments, December 31, 2015</b>				<u><u>\$ 1,666,642</u></u>	<u><u>\$ 1,799,996</u></u>

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

**December 31, 2015**

**(dollars in thousands)**

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

- (1) All investments are Lower Middle Market portfolio investments, unless otherwise noted. See Note B for a description of Lower Middle Market portfolio investments. All of the Company's investments, unless otherwise noted, are encumbered either as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (2) Debt investments are income producing, unless otherwise noted. Equity and warrants are non-income producing, unless otherwise noted.
- (3) See Note C for a summary of geographic location of portfolio companies.
- (4) Principal is net of repayments. Cost is net of repayments and accumulated unearned income.
- (5) Control investments are defined by the Investment Company Act of 1940, as amended ("1940 Act") as investments in which more than 25% of the voting securities are owned or where the ability to nominate greater than 50% of the board representation is maintained.
- (6) Affiliate investments are defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as Control investments.
- (7) Non-Control/Non-Affiliate investments are defined by the 1940 Act as investments that are neither Control investments nor Affiliate investments.
- (8) Income producing through dividends or distributions.
- (9) Index based floating interest rate is subject to contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2015. As noted in this schedule, 59% (based on the par amount of the loans) of the loans contain LIBOR floors which range between 0.25% and 1.50%.
- (10) Private Loan portfolio investment. See Note B for a description of Private Loan portfolio investments.
- (11) Middle Market portfolio investment. See Note B for a description of Middle Market portfolio investments.
- (12) Other Portfolio investment. See Note B for a description of Other Portfolio investments.
- (13) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.
- (14) Non-accrual and non-income producing investment.
- (15) Marketable securities and idle fund investments.
- (16) External Investment Manager. Investment is not encumbered as security for the Company's Credit Agreement or in support of the SBA-guaranteed debentures issued by the Funds.
- (17) Maturity date is under on-going negotiations with the portfolio company and other lenders, if applicable.
- (18) Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investments in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investments in this portfolio company are on non-accrual status.

## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements

(Unaudited)

#### NOTE A—ORGANIZATION AND BASIS OF PRESENTATION

##### 1. Organization

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

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

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

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

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

## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements (Continued)

#### (Unaudited)

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

#### 2. Basis of Presentation

Main Street's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, Main Street's consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment Portfolio, as used herein, refers to all of Main Street's investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, but excludes all "Marketable securities and idle funds investments" (see Note C—Fair Value Hierarchy for Investments and Debentures—Portfolio Composition—Investment Portfolio Composition for additional discussion of Main Street's Investment Portfolio and definitions for the terms Private Loan and Other Portfolio). "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on Main Street's consolidated balance sheets and consolidated schedules of investments due to the nature of such investments (see Note B.11.). Main Street's results of operations for the three and nine months ended September 30, 2016 and 2015, cash flows for the nine months ended September 30, 2016 and 2015, and financial position as of September 30, 2016 and December 31, 2015, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

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, 2016 and 2015 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, 2015. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services—Investment Companies* ("ASC 946"), Main Street is precluded from consolidating other entities in which Main Street has equity investments, including those in which it has a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if Main Street holds a controlling interest in an operating company that provides all or substantially all of its services directly to Main Street or to its portfolio companies. Accordingly, as noted above, MSCC's consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. MSCC's consolidated financial statements also include the financial position and operating results for MSCC's wholly owned operating subsidiary, Main Street Capital Partners, LLC ("MSCP"),

## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements (Continued)

#### (Unaudited)

as MSCP provides all of its services directly or indirectly to Main Street or its portfolio companies. Main Street has determined that all of its portfolio investments do not qualify for this exception, including the investment in the External Investment Manager. Therefore, Main Street's Investment Portfolio is carried on the consolidated balance sheet at fair value, as discussed further in Note B, with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on the consolidated statements of operations until the investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)."

#### *Portfolio Investment Classification*

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

#### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Valuation of the Investment Portfolio

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

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

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. Main Street determines in good faith the fair value of its Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved



## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements (Continued)

#### (Unaudited)

by its Board of Directors and in accordance with the 1940 Act. Main Street's valuation policies and processes are intended to provide a consistent basis for determining the fair value of Main Street's Investment Portfolio.

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

These valuation approaches consider the value associated with Main Street's ability to control the capital structure of the portfolio company, as well as the timing of a potential exit. For valuation purposes, "control" portfolio investments are composed of debt and equity securities in companies for which Main Street has a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors. For valuation purposes, "non-control" portfolio investments are generally composed of debt and equity securities in companies for which Main Street does not have a controlling interest in the equity ownership of the portfolio company or the ability to nominate a majority of the portfolio company's board of directors.

Under the Waterfall valuation method, Main Street estimates the enterprise value of a portfolio company using a combination of market and income approaches or other appropriate valuation methods, such as considering recent transactions in the equity securities of the portfolio company or third-party valuations of the portfolio company, and then performs a waterfall calculation by allocating the enterprise value over the portfolio company's securities in order of their preference relative to one another. The enterprise value is the fair value at which an enterprise could be sold in a transaction between two willing parties, other than through a forced or liquidation sale. Typically, private companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, Main Street analyzes various factors including the portfolio company's historical and projected financial results. Due to SEC deadlines for Main Street's quarterly and annual financial reporting, the operating results of a portfolio company used in the current period valuation are generally the results from the period ended three months prior

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

to such valuation date and may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, Main Street also analyzes the impact of exposure to litigation, loss of customers or other contingencies. After determining the appropriate enterprise value, Main Street allocates the enterprise value to investments in order of the legal priority of the various components of the portfolio company's capital structure. In applying the Waterfall valuation method, Main Street assumes the loans are paid off at the principal amount in a change in control transaction and are not assumed by the buyer, which Main Street believes is consistent with its past transaction history and standard industry practices.

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

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

Pursuant to its internal valuation process and the requirements under the 1940 Act, Main Street performs valuation procedures on each of its portfolio investments quarterly. In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its LMM portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm analyzes and provides observations, recommendations and an assurance certification regarding the

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

Company's determinations of the fair value of its LMM portfolio company investments. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each LMM portfolio company at least once every calendar year, and for Main Street's investments in new LMM portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on its investments in one or more LMM portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a LMM portfolio company is determined to be insignificant relative to the total Investment Portfolio. Main Street consulted with and received an assurance certification from its independent financial advisory services firm in arriving at Main Street's determination of fair value on its investments in a total of 46 LMM portfolio companies for the nine months ended September 30, 2016, representing approximately 75% of the total LMM portfolio at fair value as of September 30, 2016, and on a total of 44 LMM portfolio companies for the nine months ended September 30, 2015, representing approximately 75% of the total LMM portfolio at fair value as of September 30, 2015. Excluding investments in new LMM portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment as of September 30, 2016 and 2015, as applicable, and investments in the LMM portfolio companies that were not reviewed because their equity is publicly traded, the percentage of the LMM portfolio reviewed and certified by the independent financial advisory services firm for the nine months ended September 30, 2016 and 2015 was 80% and 82% of the total LMM portfolio at fair value as of September 30, 2016 and 2015, respectively.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, Main Street uses observable inputs to determine the fair value of these investments through obtaining third-party quotes or other independent pricing. For Middle Market portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method. Because almost all of the Middle Market portfolio investments are typically valued using third party quotes or other independent pricing services (including 97% and 99% of the Middle Market portfolio investments as of September 30, 2016 and December 31, 2015, respectively), Main Street does not generally consult with any financial advisory services firms in connection with determining the fair value of its Middle Market investments.

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

In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its Private Loan portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

financial advisory services firm analyzes and provides observations and recommendations and an assurance certification regarding the Company's determinations of the fair value of its Private Loan portfolio company investments. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each Private Loan portfolio company at least once every calendar year, and for Main Street's investments in new Private Loan portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on its investments in one or more Private Loan portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a Private Loan portfolio company is determined to be insignificant relative to the total Investment Portfolio. Main Street consulted with and received an assurance certification from its independent financial advisory services firm in arriving at its determination of fair value on its investments in a total of 20 Private Loan portfolio companies for the nine months ended September 30, 2016, representing approximately 56% of the total Private Loan portfolio at fair value as of September 30, 2016, and on a total of 11 Private Loan portfolio companies for the nine months ended September 30, 2015, representing approximately 37% of the total Private Loan portfolio at fair value as of September 30, 2015. Excluding its investments in new Private Loan portfolio companies which have not been in the Investment Portfolio for at least twelve months subsequent to the initial investment decision as of September 30, 2016 and its investments in the Private Loan portfolio companies that were not reviewed because the investment is publicly traded or quoted by banks, the percentage of the Private Loan portfolio reviewed and certified by its independent financial advisory services firm for the nine months ended September 30, 2016 and 2015 was 80% and 84% of the total Private Loan portfolio at fair value as of September 30, 2016 and 2015, respectively.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised 4.9% and 4.2%, respectively, of Main Street's Investment Portfolio at fair value as of September 30, 2016 and December 31, 2015. Similar to the LMM investment portfolio, market quotations for Other Portfolio equity investments are generally not readily available. For its Other Portfolio equity investments, Main Street generally determines the fair value of its investments using the NAV valuation method. For Other Portfolio debt investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Other Portfolio debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method. For Other Portfolio debt investments for which third-party quotes or other independent pricing are available and appropriate, Main Street determines the fair value of these investments through obtaining third party quotes or other independent pricing to the extent that these inputs are available and appropriate to determine fair value.

For valuation purposes, Main Street's investment in the External Investment Manager is a control investment. Market quotations are not readily available for this investment, and as a result, Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the market approach. In estimating the enterprise value, Main Street analyzes various factors, including the entity's historical and projected financial results, as well as its size, marketability and performance relative to the population of market comparables. This valuation approach estimates the value of the investment as if Main Street were to sell, or exit, the investment. In addition, Main Street

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

considers its ability to control the capital structure of the company, as well as the timing of a potential exit, in connection with determining the fair value of the External Investment Manager.

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

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

The Board of Directors of Main Street has the final responsibility for overseeing, reviewing and approving, in good faith, Main Street's determination of the fair value for its Investment Portfolio, as well as its valuation procedures, consistent with 1940 Act requirements. Main Street believes its Investment Portfolio as of September 30, 2016 and December 31, 2015 approximates fair value as of those dates based on the markets in which Main Street operates and other conditions in existence on those reporting dates.

**2. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates under different conditions or assumptions. Additionally, as explained in Note B.1., the financial statements include investments in the Investment Portfolio whose values have been estimated by Main Street with the oversight, review and approval by Main Street's Board of Directors in the absence of readily ascertainable market values. Because of the inherent uncertainty of the Investment Portfolio valuations, those estimated values may differ materially from the values that would have been determined had a ready market for the securities existed.

**3. Cash and Cash Equivalents**

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

At September 30, 2016, cash balances totaling \$29.0 million exceeded Federal Deposit Insurance Corporation insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large, established, high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

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

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

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

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

Main Street holds certain debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind ("PIK") interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the PIK interest and cumulative dividends in cash. Main Street stops accruing PIK interest and cumulative dividends and writes off any accrued and uncollected interest and dividends in arrears when it determines that such PIK interest and dividends in arrears are no longer collectible. For the three months ended September 30, 2016 and 2015, (i) approximately 4.0% and 2.2%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.8% and 1.2%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash. For the nine months ended September 30, 2016 and 2015, (i) approximately 3.7% and 2.1%, respectively, of Main Street's total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.1% and 1.0%, respectively, of Main Street's total investment income was attributable to cumulative dividend income not paid currently in cash.

As of September 30, 2016, Main Street's total Investment Portfolio had five investments on non-accrual status, which comprised approximately 0.4% of its fair value and 2.8% of its cost. As of December 31, 2015, Main Street's total Investment Portfolio had six investments on non-accrual status, which comprised approximately 0.4% of its fair value and 3.7% of its cost.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Interest, fee and dividend income:				
Interest income	\$ 35,580	\$ 34,167	\$ 101,181	\$ 97,010
Dividend income	9,730	6,939	25,094	17,353
Fee income	1,284	1,273	5,059	5,887
Total interest, fee and dividend income	\$ 46,594	\$ 42,379	\$ 131,334	\$ 120,250

**6. Deferred Financing Costs**

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

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

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

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

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

**MAIN STREET CAPITAL CORPORATION**

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unearned income, which is netted against the applicable debt investment, and accreted into interest income based on the effective interest method over the life of the debt investment. The actual collection of this interest is deferred until the time of debt principal repayment.

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

To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income. For the three months ended September 30, 2016 and 2015, approximately 3.2% and 2.3%, respectively, of Main Street's total investment income was attributable to interest income for the accretion of discounts associated with debt investments, net of any premium reduction. For the nine months ended September 30, 2016 and 2015, approximately 3.0% and 2.7%, respectively, of Main Street's total investment income was attributable to interest income for the accretion of discounts associated with debt investments, net of any premium reduction.

**8. Share-Based Compensation**

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

Effective January 1, 2016, Main Street elected early adoption of ASU 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09," as discussed further below in Note B.13.). ASU 2016-09 requires that all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement and no longer delay recognition of a tax benefit until the tax benefit is realized through a reduction to taxes payable. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. Additionally, ASU 2016-09 allows an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest, net of forfeitures, (current GAAP) or account for forfeitures when they occur. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. As such, Main Street has recorded a \$1.8 million adjustment to "Net Unrealized Appreciation, Net of Income Taxes" on the consolidated balance sheet to capture the cumulative tax effect as of January 1, 2016. The company has elected to account for forfeitures as they occur and this change had no impact on its consolidated financial statements. The additional amendments (cash flows classification, minimum statutory tax withholding requirements and classification of awards as either a liability or equity) did not have an effect on Main Street's consolidated financial statements.



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**9. Income Taxes**

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

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

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

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

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

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

Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment or a financial instrument and the cost basis of the investment or financial instrument, without regard to unrealized appreciation or depreciation previously recognized, and includes investments written-off during the period net of recoveries and realized gains or losses from in-kind redemptions. Net change in unrealized appreciation or depreciation reflects the net change in the fair value of the Investment Portfolio and financial instruments and the reclassification of any prior period unrealized appreciation or depreciation on exited investments and financial instruments to realized gains or losses.

**11. Fair Value of Financial Instruments**

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

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

**12. Earnings per Share**

Basic and diluted per share calculations are computed utilizing the weighted-average number of shares of common stock outstanding for the period. In accordance with ASC 260, *Earnings Per Share*, the unvested shares of restricted stock awarded pursuant to Main Street's equity compensation plans are participating securities and, therefore, are included in the basic earnings per share calculation. As a result, for all periods presented, there is no difference between diluted earnings per share and basic earnings per share amounts.

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

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic

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605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients*. This ASU clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. The FASB tentatively decided to defer the effective date of the new revenue standard for public entities under U.S. GAAP for one year. If finalized, the new guidance will be effective for the annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. Early adoption would be permitted for annual reporting periods beginning after December 15, 2016. Main Street is currently evaluating the impact the adoption of this new accounting standard will have on its financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements—Disclosures for Certain Entities that Calculate Net Asset Value per Share*. This amendment updates guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy, while investments for which fair value is measured at net asset value per share but the practical expedient is not applied should continue to be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on Main Street's consolidated financial statements as none of its investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on Main Street's consolidated financial statements is currently being evaluated.

In March 2016, the FASB issued ASU 2016-09, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new

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guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in Note B.8.

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

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

**NOTE C—FAIR VALUE HIERARCHY FOR INVESTMENTS AND DEBENTURES—PORTFOLIO COMPOSITION**

ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. Main Street accounts for its investments at fair value.

**Fair Value Hierarchy**

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

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

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

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

- Quoted prices for similar assets in active markets (for example, investments in restricted stock);
- Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);
- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and

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

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

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Main Street conducts reviews of fair value hierarchy classifications on a quarterly basis. During the classification process, Main Street may determine that it is appropriate to transfer investments between fair value hierarchy Levels. These transfers occur when Main Street has concluded that it is appropriate for the classification of an individual asset to be changed due to a change in the factors used to determine the selection of the Level. Any such changes are deemed to be effective during the quarter in which the transfer occurs.

As of September 30, 2016 and December 31, 2015, all of Main Street's LMM portfolio investments except for the debt and equity investments in one portfolio company consisted of illiquid securities issued by private companies. Those investments which were the exceptions were in a company with publicly traded equity. As a result, the fair value determination for the LMM portfolio investments primarily consisted of unobservable inputs. The fair value determination for the publicly traded equity security consisted of observable inputs in non-active markets for which sufficient observable inputs were available to determine the fair value. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of September 30, 2016 and December 31, 2015, except for the one publicly traded equity security which was categorized as Level 2.

As of September 30, 2016 and December 31, 2015, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Middle Market portfolio investments were categorized as Level 3 as of September 30, 2016 and December 31, 2015.

As of September 30, 2016 and December 31, 2015, Main Street's Private Loan portfolio investments primarily consisted of investments in interest-bearing secured debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Private Loan portfolio investments were categorized as Level 3 as of September 30, 2016 and December 31, 2015.

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As of September 30, 2016 and December 31, 2015, Main Street's Other Portfolio investments consisted of illiquid securities issued by private companies. The fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's Other Portfolio investments were categorized as Level 3 as of September 30, 2016 and December 31, 2015.

As of December 31, 2015, Main Street's Marketable securities and idle funds investments consisted primarily of investments in publicly traded debt and equity investments. The fair value determination for these investments consisted of a combination of observable inputs in active markets for which sufficient observable inputs were available to determine the fair value of these investments. As a result, all of Main Street's Marketable securities and idle funds investments were categorized as Level 1 as of December 31, 2015.

The fair value determination of each portfolio investment categorized as Level 3 required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Pending debt or capital restructuring of the portfolio company;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be appropriate), are (i) EBITDA multiples and (ii) the weighted-average cost of capital

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("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM, Middle Market, Private Loan and Other Portfolio debt securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (described in "Note B.1.—Valuation of the Investment Portfolio") and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the tables below.

The following tables provide a summary of the significant unobservable inputs used to measure the fair value of Main Street's Level 3 portfolio investments as of September 30, 2016 and December 31, 2015:

<b>Type of Investment</b>	<b>Fair Value as of September 30, 2016 (in thousands)</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Range(3)</b>	<b>Weighted Average(3)</b>	<b>Median(3)</b>
Equity investments	\$ 531,672	Discounted cash flow	Weighted-average cost of capital	10.2% - 22.6%	12.9%	13.6%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.5x - 8.0x(2)	6.9x	5.9x
Debt investments	\$ 734,110	Discounted cash flow	Risk adjusted discount factor	7.7% - 15.4%(2)	12.0%	11.0%
			Expected principal recovery percentage	5.3% - 100.0%	100.0%	100.0%
Debt investments	\$ 652,325	Market approach	Third party quote	22.5 - 107.0		
Total Level 3 investments	\$ 1,918,107					

- (1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.
- (2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.5x - 17.5x and the range for risk adjusted discount factor is 5.0% - 33.8%.

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(3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

Type of Investment	Fair Value as of December 31, 2015 (in thousands)	Valuation Technique	Significant Unobservable Inputs	Range(3)	Weighted Average(3)	Median(3)
Equity investments	\$ 530,612	Discounted cash flow	Weighted-average cost of capital	10.5% - 25.1%	13.4%	13.9%
		Market comparable / Enterprise Value	EBITDA multiple(1)	4.0x - 8.5x(2)	7.0x	5.5x
Debt investments	\$ 628,492	Discounted cash flow	Risk adjusted discount factor	8.1% - 15.3%(2)	11.9%	11.9%
			Expected principal recovery percentage	16.6% - 100.0%	99.7%	100.0%
Debt investments	\$ 637,052	Market approach	Third party quote	12.1 - 100.1		
Total Level 3 investments	\$ 1,796,156					

(1) EBITDA may include proforma adjustments and/or other addbacks based on specific circumstances related to each investment.

(2) Range excludes outliers that are greater than one standard deviation from the mean. Including these outliers, the range for EBITDA multiple is 4.0x - 18.8x and the range for risk adjusted discount factor is 6.7% - 29.6%.

(3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

The following tables provide a summary of changes in fair value of Main Street's Level 3 portfolio investments for the nine month periods ended September 30, 2016 and 2015 (amounts in thousands). Net unrealized appreciation (depreciation) is included in the net change in unrealized appreciation (depreciation)—portfolio investments on the consolidated statements of operations.

Type of Investment	Fair Value as of December 31, 2015	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of September 30, 2016
Debt	1,265,544	—	(289,261)	385,476	34,567	(3,893)	(5,998)	1,386,435
Equity	519,966	—	(14,797)	61,543	(59,681)	3,821	5,998	516,850
Equity Warrant	10,646	—	(1,011)	4,750	1,011	(574)	—	14,822
	1,796,156	—	(305,069)	451,769	(24,103)	(646)	—	1,918,107

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

Type of Investment	Fair Value as of December 31, 2014	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of September 30, 2015
Debt	1,147,281	—	(439,158)	672,305	19,844	(32,804)	(10,779)	1,356,689
Equity	391,933	—	(16,475)	58,728	(8,250)	55,865	10,376	492,177
Equity Warrant	15,636	—	(1,723)	2,153	(1,687)	(271)	—	14,108
	1,554,850	—	(457,356)	733,186	9,907	22,790	(403)	1,862,974

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

As of September 30, 2016 and December 31, 2015, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which are recorded at fair value were categorized as Level 3. Main Street determines the



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fair value of these instruments primarily using a Yield-to-Maturity approach that analyzes the discounted cash flows of interest and principal for each SBIC debenture recorded at fair value based on estimated market interest rates for debt instruments of similar structure, terms, and maturity. Main Street's estimate of the expected repayment date of principal for each SBIC debenture recorded at fair value is the maturity date of the instrument. The significant unobservable inputs used in the fair value measurement of Main Street's SBIC debentures recorded at fair value are the estimated market interest rates used to fair value each debenture using the yield valuation technique described above. Significant increases (decreases) in the Yield-to-Maturity valuation inputs in isolation would result in a significantly lower (higher) fair value measurement.

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of September 30, 2016 and December 31, 2015 (amounts in thousands):

Type of Instrument	Fair Value as of September 30, 2016	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC debentures	\$ 74,680	Discounted cash flow	Estimated market interest rates	3.8% - 5.3%	4.4%

Type of Instrument	Fair Value as of December 31, 2015	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC debentures	\$ 73,860	Discounted cash flow	Estimated market interest rates	4.1% - 5.8%	4.9%

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the nine month periods ended September 30, 2016 and 2015 (amounts in thousands):

Type of Instrument	Fair Value as of December 31, 2015	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of September 30, 2016
SBIC debentures at fair value	\$ 73,860	\$ —	\$ —	\$ 820	\$ 74,680

Type of Instrument	Fair Value as of December 31, 2014	Repayments	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of September 30, 2015
SBIC debentures at fair value	\$ 72,981	\$ —	\$ —	\$ 823	\$ 73,804

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

At September 30, 2016 and December 31, 2015, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

At September 30, 2016	Fair Value	Fair Value Measurements (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	\$ 829,692	\$ —	\$ 2,160	\$ 827,532
Middle Market portfolio investments	627,944	—	—	627,944
Private Loan portfolio investments	337,735	—	—	337,735
Other Portfolio investments	94,763	—	—	94,763
External Investment Manager	30,133	—	—	30,133
Total portfolio investments	1,920,267	—	2,160	1,918,107
Marketable securities and idle funds investments	—	—	—	—
Total investments	\$ 1,920,267	\$ —	\$ 2,160	\$ 1,918,107
SBIC debentures at fair value	\$ 74,680	\$ —	\$ —	\$ 74,680

At December 31, 2015	Fair Value	Fair Value Measurements (in thousands)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LMM portfolio investments	\$ 862,710	\$ —	\$ 3,840	\$ 858,870
Middle Market portfolio investments	586,900	—	—	586,900
Private Loan portfolio investments	248,313	—	—	248,313
Other Portfolio investments	74,801	—	—	74,801
External Investment Manager	27,272	—	—	27,272
Total portfolio investments	1,799,996	—	3,840	1,796,156
Marketable securities and idle funds investments	3,693	3,693	—	—
Total investments	\$ 1,803,689	\$ 3,693	\$ 3,840	\$ 1,796,156
SBIC debentures at fair value	\$ 73,860	\$ —	\$ —	\$ 73,860

**Investment Portfolio Composition**

Main Street's LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and its LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

company, generally bear interest at fixed rates, and generally have a term of between five and seven years from the original investment date. In most LMM portfolio investments, Main Street receives nominally priced equity warrants and/or makes direct equity investments in connection with a debt investment.

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

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

Main Street's other portfolio ("Other Portfolio") investments primarily consist of investments which are not consistent with the typical profiles for LMM, Middle Market and Private Loan portfolio investments, including investments which may be managed by third parties. In the Other Portfolio, Main Street may incur indirect fees and expenses in connection with investments managed by third parties, such as investments in other investment companies or private funds. For Other Portfolio investments, Main Street generally receives distributions related to the assets held by the portfolio company. Those assets are typically expected to be liquidated over a five to ten year period.

Main Street's external asset management business is conducted through its External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. Main Street entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income Fund, Inc. ("HMS Income"). Through this agreement, Main Street shares employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, Main Street began allocating cost to the External Investment Manager pursuant to the sharing agreement. Main Street's total expenses for the three months ended September 30, 2016 and 2015 are net of the costs allocated to the External Investment Manager of \$1.2 million and \$1.1 million, respectively. Main Street's total expenses for the nine months ended September 30, 2016 and 2015 are net of the costs allocated to the External Investment Manager of \$3.7 million and \$3.1 million, respectively.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could also be highly concentrated among several portfolio companies. For the three and nine months ended September 30, 2016 and 2015, Main

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

Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

The following tables provide a summary of Main Street's investments in the LMM, Middle Market and Private Loan portfolios as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

	As of September 30, 2016		
	LMM(a)	Middle Market	Private Loan
	(dollars in millions)		
Number of portfolio companies	71	81	45
Fair value	\$ 829.7	\$ 627.9	\$ 337.7
Cost	\$ 703.6	\$ 658.0	\$ 353.8
% of portfolio at cost—debt	68.8%	97.5%	94.3%
% of portfolio at cost—equity	31.2%	2.5%	5.7%
% of debt investments at cost secured by first priority lien	91.5%	87.6%	87.6%
Weighted-average annual effective yield(b)	12.5%	8.4%	9.6%
Average EBITDA(c)	\$ 6.2	\$ 101.6	\$ 21.1

- (a) At September 30, 2016, Main Street had equity ownership in approximately 99% of its LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 36%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of September 30, 2016, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of Main Street's common stock will realize on its investment because it does not reflect Main Street's expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including five LMM portfolio companies, three Middle Market portfolio companies and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

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

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

As of September 30, 2016, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$94.8 million in fair value and approximately \$101.3 million in cost basis and which comprised 4.9% of Main Street's Investment Portfolio at fair value. As of December 31, 2015, Main Street had Other Portfolio investments in ten companies, collectively totaling approximately \$74.8 million in fair value and approximately \$75.2 million in cost basis and which comprised approximately 4.2% of Main Street's Investment Portfolio at fair value.

As discussed further in Note A.1., Main Street holds an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of September 30, 2016, there was no cost basis in this investment and the investment had a fair value of \$30.1 million, which comprised 1.6% of Main Street's Investment Portfolio at fair value. As of December 31, 2015, there was no cost basis in this investment and the investment had a fair value of \$27.3 million, which comprised 1.5% of Main Street's Investment Portfolio at fair value.

The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and

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

fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

<b>Cost:</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
First lien debt	75.6%	75.8%
Equity	13.9%	13.5%
Second lien debt	8.5%	8.7%
Equity warrants	1.0%	0.9%
Other	1.0%	1.1%
	<u>100.0%</u>	<u>100.0%</u>

  

<b>Fair Value:</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
First lien debt	68.3%	66.1%
Equity	22.0%	24.9%
Second lien debt	8.0%	7.7%
Equity warrants	0.8%	0.6%
Other	0.9%	0.7%
	<u>100.0%</u>	<u>100.0%</u>

The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by geographic region of the United States and other countries at cost and fair value as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager). The geographic composition is determined by the location of the corporate headquarters of the portfolio company.

<b>Cost:</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Southwest	29.5%	33.4%
Midwest	21.5%	16.7%
Northeast	15.4%	18.3%
Southeast	15.6%	13.5%
West	14.7%	14.6%
Canada	1.7%	2.2%
Other Non-United States	1.6%	1.3%
	<u>100.0%</u>	<u>100.0%</u>

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

<b>Fair Value:</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Southwest	30.4%	36.7%
Midwest	19.8%	15.1%
West	17.0%	16.1%
Southeast	15.2%	12.6%
Northeast	14.6%	16.3%
Canada	1.5%	2.0%
Other Non-United States	1.5%	1.2%
	<u>100.0%</u>	<u>100.0%</u>

Main Street's LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments are in companies conducting business in a variety of industries. The following tables summarize the composition of Main Street's total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments by industry at cost and fair value

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

as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

<u>Cost:</u>	<u>September 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
Energy Equipment & Services	7.6%	7.3%
Hotels, Restaurants & Leisure	6.8%	7.9%
Media	5.8%	5.6%
Machinery	5.7%	5.7%
Construction & Engineering	4.7%	4.6%
Electronic Equipment, Instruments & Components	4.5%	4.3%
IT Services	4.2%	5.1%
Specialty Retail	4.1%	5.1%
Commercial Services & Supplies	4.0%	3.3%
Internet Software & Services	3.6%	3.1%
Diversified Telecommunication Services	3.4%	2.9%
Auto Components	3.4%	2.7%
Food Products	3.1%	2.4%
Diversified Consumer Services	2.9%	3.7%
Health Care Equipment & Supplies	2.9%	3.1%
Health Care Providers & Services	2.8%	4.1%
Diversified Financial Services	2.3%	2.3%
Software	2.2%	4.5%
Computers & Peripherals	1.9%	0.0%
Professional Services	1.9%	1.9%
Communications Equipment	1.9%	0.0%
Pharmaceuticals	1.7%	1.9%
Road & Rail	1.6%	1.6%
Building Products	1.6%	1.9%
Oil, Gas & Consumable Fuels	1.5%	2.1%
Consumer Finance	1.5%	0.8%
Distributors	1.2%	0.7%
Leisure Equipment & Products	1.1%	1.1%
Air Freight & Logistics	1.0%	1.1%
Aerospace & Defense	1.0%	1.0%
Other(1)	8.1%	8.2%
	<u>100.0%</u>	<u>100.0%</u>

- (1) Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.



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

<b>Fair Value:</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>
Hotels, Restaurants & Leisure	6.9%	7.8%
Machinery	6.8%	7.0%
Energy Equipment & Services	5.8%	6.0%
Diversified Consumer Services	5.5%	5.7%
Media	5.4%	5.1%
Construction & Engineering	5.2%	5.1%
Specialty Retail	4.3%	6.0%
IT Services	4.0%	4.6%
Commercial Services & Supplies	4.0%	3.1%
Electronic Equipment, Instruments & Components	3.9%	3.7%
Internet Software & Services	3.5%	2.9%
Auto Components	3.3%	2.8%
Health Care Equipment & Supplies	2.9%	2.9%
Food Products	2.9%	2.1%
Diversified Telecommunication Services	2.7%	2.7%
Health Care Providers & Services	2.7%	3.3%
Road & Rail	2.4%	2.6%
Diversified Financial Services	2.3%	2.2%
Software	2.2%	5.9%
Professional Services	1.9%	1.7%
Communications Equipment	1.9%	0.0%
Computers & Peripherals	1.8%	0.0%
Pharmaceuticals	1.5%	1.7%
Building Products	1.4%	1.6%
Consumer Finance	1.3%	0.6%
Oil, Gas & Consumable Fuels	1.2%	1.2%
Air Freight & Logistics	1.2%	1.3%
Leisure Equipment & Products	1.1%	1.1%
Distributors	1.1%	0.6%
Other(1)	8.9%	8.7%
	<u>100.0%</u>	<u>100.0%</u>

- (1) Includes various industries with each industry individually less than 1.0% of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at each date.

At September 30, 2016 and December 31, 2015, Main Street had no portfolio investment that was greater than 10% of the Investment Portfolio at fair value.

**Unconsolidated Significant Subsidiaries**

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, Main Street must determine which of its unconsolidated controlled portfolio companies, if any, are considered "significant subsidiaries". In evaluating these unconsolidated controlled portfolio companies, there are three tests utilized to

## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements (Continued)

#### (Unaudited)

determine if any of Main Street's Control Investments (as defined in Note A, including those unconsolidated controlled portfolio companies in which Main Street does not own greater than 50% of the voting securities) are considered significant subsidiaries: the investment test, the asset test and the income test. Rule 3-09 of Regulation S-X, as interpreted by the SEC, requires Main Street to include separate audited financial statements of an unconsolidated majority-owned subsidiary (Control Investments in which Main Street owns greater than 50% of the voting securities) in an annual report if any of the three tests exceed 20% of Main Street's total investments at fair value, total assets or total income, respectively. Rule 4-08(g) of Regulation S-X requires summarized financial information of a Control Investment in an annual report if any of the three tests exceeds 10% of Main Street's annual total amounts and Rule 10-01(b)(1) of Regulation S-X requires summarized financial information in a quarterly report if any of the three tests exceeds 20% of Main Street's year-to-date total amounts.

As of September 30, 2016 and December 31, 2015, Main Street had no single Control Investment that represented greater than 20% of its total Investment Portfolio at fair value and no single investment whose total assets represented greater than 20% of its total assets. For each of the nine months ended September 30, 2016 and 2015, Main Street had no single Control Investment whose income represented greater than 20% of its total income, except for the External Investment Manager for the nine months ended September 30, 2015. The summarized financial information for the External Investment Manager is included in Note D.

#### NOTE D—EXTERNAL INVESTMENT MANAGER

As discussed further in Note A.1., the External Investment Manager provides investment management and other services to External Parties. The External Investment Manager is accounted for as a portfolio investment of MSCC since the External Investment Manager conducts all of its investment management activities for External Parties.

During May 2012, Main Street entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow it to own a registered investment adviser, Main Street assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on MSCC's ability to meet the source-of-income requirement necessary for it to maintain its RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. Based upon several fee waiver agreements with HMS Income and HMS Adviser, the External Investment Manager did not begin accruing the base management fee and incentive fees, if any, until January 1, 2014. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the three months ended September 30, 2016 and 2015, the External Investment Manager earned \$2.5 million and \$2.1 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser. During the nine months ended September 30, 2016 and 2015, the External Investment Manager earned \$7.1 million and \$5.5 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

The investment in the External Investment Manager is accounted for using fair value accounting, with the fair value determined by Main Street and approved, in good faith, by Main Street's Board of Directors. Main Street determines the fair value of the External Investment Manager using the Waterfall valuation method under the market approach (see further discussion in Note B.1.). Any change in fair value of the investment in the External Investment Manager is recognized on Main Street's consolidated statement of operations in "Net Change in Unrealized Appreciation (Depreciation)—Portfolio investments".

The External Investment Manager has elected, for tax purposes, to be treated as a taxable entity, is not consolidated with Main Street for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The External Investment Manager has elected to be treated as a taxable entity to enable it to receive fee income and to allow MSCC to continue to comply with the "source-income" requirements contained in the RIC tax provisions of the Code. The taxable income, or loss, of the External Investment Manager may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. The External Investment Manager provides for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements.

Main Street shares employees with the External Investment Manager and allocates costs related to such shared employees to the External Investment Manager generally based on a combination of the direct time spent, new investment origination activity and assets under management, depending on the nature of the expense. For the three months ended September 30, 2016 and 2015, Main Street allocated \$1.2 million and \$1.1 million of total expenses, respectively, to the External Investment Manager. For the nine months ended September 30, 2016 and 2015, Main Street allocated \$3.7 million and \$3.1 million of total expenses, respectively, to the External Investment Manager. The total contribution of the External Investment Manager to Main Street's net investment income consists of the combination of the expenses allocated to the External Investment Manager and dividend income from the External Investment Manager. For the three months ended September 30, 2016 and 2015, the total contribution to net investment income was \$2.0 million and \$1.8 million, respectively. For the nine months ended September 30, 2016 and 2015, the total contribution to net investment income was \$5.8 million and \$4.7 million, respectively.

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

Summarized financial information from the separate financial statements of the External Investment Manager as of September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015 is as follows:

	<u>As of</u> <u>September 30,</u> <u>2016</u>	<u>As of</u> <u>December 31,</u> <u>2015</u>
	(dollars in thousands)	
Cash	\$ 30	\$ 31
Accounts receivable—HMS Income	2,466	2,262
<b>Total assets</b>	<b>\$ 2,496</b>	<b>\$ 2,293</b>
Accounts payable to MSCC and its subsidiaries	\$ 1,424	\$ 1,333
Dividend payable to MSCC	793	677
Taxes payable	279	283
Equity	—	—
<b>Total liabilities and equity</b>	<b>\$ 2,496</b>	<b>\$ 2,293</b>

	<u>Three Months</u> <u>Ended</u> <u>September 30</u>		<u>Nine Months</u> <u>Ended</u> <u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(dollars in thousands)			
Management fee income	\$ 2,471	\$ 2,105	\$ 7,058	\$ 5,500
Expenses allocated from MSCC or its subsidiaries:				
Salaries, share-based compensation and other personnel costs	(833)	(764)	(2,522)	(2,146)
Other G&A expenses	(391)	(381)	(1,217)	(987)
<b>Total allocated expenses</b>	<b>(1,224)</b>	<b>(1,145)</b>	<b>(3,739)</b>	<b>(3,133)</b>
Pre-tax income	1,247	960	3,319	2,367
Tax expense	(454)	(350)	(1,210)	(847)
<b>Net income</b>	<b>\$ 793</b>	<b>\$ 610</b>	<b>\$ 2,109</b>	<b>\$ 1,520</b>

**NOTE E—SBIC DEBENTURES**

SBIC debentures payable were \$231.0 million and \$225.0 million at September 30, 2016 and December 31, 2015, respectively. SBIC debentures provide for interest to be paid semi-annually, with principal due at the applicable 10-year maturity date of each debenture. In August 2016, Main Street received a license from the SBA to operate a third SBIC, which at the time provided Main Street with up to \$125.0 million of additional long-term, fixed interest rate debt capital through the issuance of SBA-guaranteed debentures. During September 2016, Main Street issued \$6.0 million of SBIC debentures, leaving \$119.0 million of additional capacity. The weighted-average annual interest rate on the SBIC debentures was 4.1% as of September 30, 2016 and 4.2% as of December 31, 2015. The first principal maturity due under the existing SBIC debentures is in 2017, and the weighted-average remaining duration as of September 30, 2016 was approximately 5.0 years. For the three months ended September 30, 2016 and 2015, Main Street recognized interest expense attributable to the SBIC debentures of \$2.5 million in each period. For the nine months ended September 30, 2016 and 2015,

## MAIN STREET CAPITAL CORPORATION

### Notes to Consolidated Financial Statements (Continued)

#### (Unaudited)

Main Street recognized interest expense attributable to the SBIC debentures of \$7.5 million and \$7.4 million, respectively. Main Street has incurred upfront leverage and other miscellaneous fees of approximately 3.4% of the debenture principal amount. In accordance with SBA regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA. The Funds are subject to annual compliance examinations by the SBA. There have been no historical findings resulting from these examinations.

As of September 30, 2016, the recorded value of the SBIC debentures was \$230.5 million which consisted of (i) \$74.7 million recorded at fair value, or \$0.5 million less than the \$75.2 million par value of the SBIC debentures issued in MSC II (ii) \$149.8 million recorded at par value and held in MSMF and (iii) \$6.0 million recorded at par value and held in MSC III. As of September 30, 2016, if Main Street had adopted the fair value option under ASC 825 for all of its SBIC debentures, Main Street estimates the fair value of its SBIC debentures would be approximately \$223.8 million, or \$7.2 million less than the \$231.0 million face value of the SBIC debentures.

#### NOTE F—CREDIT FACILITY

Main Street maintains the Credit Facility to provide additional liquidity to support its investment and operational activities. The Credit Facility includes total commitments of \$555.0 million from a diversified group of fourteen lenders and matures in September 2020. The Credit Facility also contains an accordion feature which allows Main Street to increase the total commitments under the facility to up to \$750.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to Main Street's election, on a per annum basis at a rate equal to the applicable LIBOR rate (0.53% as of September 30, 2016) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.50% as of September 30, 2016) plus 0.875%) as long as Main Street maintains an investment grade rating and meets certain agreed upon excess collateral and maximum leverage requirements, (ii) 2.0% (or the applicable base rate plus 1.0%) if Main Street maintains an investment grade rating but, does not meet certain excess collateral and maximum leverage requirements or (iii) 2.25% (or the applicable base rate plus 1.25%) if Main Street does not maintain an investment grade rating. Main Street pays unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0 and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2020, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval.

At September 30, 2016, Main Street had \$313.0 million in borrowings outstanding under the Credit Facility. As of September 30, 2016, if Main Street had adopted the fair value option under ASC 825 for its Credit Facility, Main Street estimates its fair value would approximate its recorded value. Main Street recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of \$2.5 million and \$2.2 million for the three months ended September 30, 2016 and 2015, respectively, and \$6.7 million and \$5.5 million for the nine month

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

periods ended September 30, 2016 and 2015, respectively. As of September 30, 2016, the interest rate on the Credit Facility was 2.4%. The average interest rate was 2.4% and 2.3% for the three and nine months ended September 30, 2016, respectively. As of September 30, 2016, Main Street was in compliance with all financial covenants of the Credit Facility.

**NOTE G—NOTES**

**6.125% Notes**

In April 2013, Main Street issued \$92.0 million, including the underwriters full exercise of their option to purchase additional principal amounts to cover over-allotments, in aggregate principal amount of 6.125% Notes due 2023 (the "6.125% Notes"). The 6.125% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at Main Street's option on or after April 1, 2018. The 6.125% Notes bear interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. The total net proceeds to Main Street from the 6.125% Notes, after underwriting discounts and estimated offering expenses payable by Main Street, were approximately \$89.0 million. Main Street has listed the 6.125% Notes on the New York Stock Exchange under the trading symbol "MSCA". Main Street may from time to time repurchase the 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of September 30, 2016, the outstanding balance of the 6.125% Notes was \$90.7 million. As of September 30, 2016, if Main Street had adopted the fair value option under ASC 825 for the 6.125% Notes, Main Street estimates the fair value would be approximately \$94.1 million. Main Street recognized interest expense related to the 6.125% Notes, including amortization of deferred loan costs, of \$1.5 million for each of the three months ended September 30, 2016 and 2015, and \$4.4 million for each of the nine months ended September 30, 2016 and 2015.

The indenture governing the 6.125% Notes (the "6.125% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1) (A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 6.125% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 6.125% Notes Indenture. As of September 30, 2016, Main Street was in compliance with these covenants.

**4.50% Notes**

In November 2014, Main Street issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes") at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at Main Street's option subject to certain make-whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year. The total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable by us, were approximately \$171.2 million. Main Street may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of September 30, 2016, the outstanding balance of the 4.50% Notes was \$175.0 million. As of September 30, 2016, if Main Street had adopted the fair value option under ASC 825 for the 4.50% Notes, Main Street estimates its fair value would be approximately \$179.9 million. Main Street recognized interest expense related to the 4.50% Notes, including amortization of deferred loan costs, of \$2.1 million for each of the three months ended September 30, 2016 and 2015, and \$6.4 million for each of the nine months ended September 30, 2016 and 2015.

The indenture governing the 4.50% Notes (the "4.50% Notes Indenture") contains certain covenants, including covenants requiring Main Street's compliance with (regardless of whether Main Street is subject to) the asset coverage requirements set forth in Section 18(a)(1) (A) as modified by Section 61(a)(1) of the 1940 Act, as well as covenants requiring Main Street to provide financial information to the holders of the 4.50% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the 4.50% Notes Indenture. As of September 30, 2016, Main Street was in compliance with these covenants.

## MAIN STREET CAPITAL CORPORATION

## Notes to Consolidated Financial Statements (Continued)

(Unaudited)

## NOTE H—FINANCIAL HIGHLIGHTS

	Nine Months Ended	
	September 30,	
	2016	2015
<b>Per Share Data:</b>		
NAV at the beginning of the period	\$ 21.24	\$ 20.85
Net investment income(1)	1.66	1.61
Net realized gain (loss)(1)(2)	0.65	(0.19)
Net change in net unrealized appreciation (depreciation)(1)(2)	(0.56)	0.42
Income tax benefit(1)(2)	0.01	0.15
Net increase in net assets resulting from operations(1)	1.76	1.99
Dividends paid from net investment income	(1.06)	(1.79)
Distributions from capital gains	(0.84)	(0.05)
Total dividends paid	(1.90)	(1.84)
Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period	(0.01)	(0.01)
Accretive effect of stock offerings (issuing shares above NAV per share)	0.42	0.71
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.06	0.08
Other(3)	0.05	0.01
NAV at the end of the period	<u>\$ 21.62</u>	<u>\$ 21.79</u>
Market value at the end of the period	\$ 34.33	\$ 26.66
Shares outstanding at the end of the period	52,931,917	50,079,178

- (1) Based on weighted average number of common shares outstanding for the period.
- (2) Net realized gains or losses, net change in unrealized appreciation or depreciation, and income taxes can fluctuate significantly from period to period.
- (3) Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date and the impact of the early adoption of the accounting standard ASU 2016-09 in the three months ended March 31, 2016 relating to the accounting for share-based payment transactions (see further discussion in Note B.8.).



**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

	Nine Months Ended September 30,	
	2016	2015
	(dollars in thousands)	
NAV at end of period	\$ 1,144,350	\$ 1,090,981
Average NAV	\$ 1,097,839	\$ 1,051,418
Average outstanding debt	\$ 792,966	\$ 742,993
Ratio of total expenses, including income tax expense, to average NAV(1)(2)	4.11%	3.38%
Ratio of operating expenses to average NAV(2)(3)	4.20%	4.05%
Ratio of operating expenses, excluding interest expense, to average NAV(2)(3)	1.92%	1.79%
Ratio of net investment income to average NAV(2)	7.78%	7.47%
Portfolio turnover ratio(2)	18.11%	16.68%
Total investment return(2)(4)	25.35%	-6.74%
Total return based on change in NAV(2)(5)	8.49%	10.31%

- (1) Total expenses are the sum of operating expenses and net income tax provision/benefit. Net income tax provision/benefit includes the accrual of net deferred tax provision/benefit relating to the net unrealized appreciation/depreciation on portfolio investments held in Taxable Subsidiaries and due to the change in the loss carryforwards, which are non-cash in nature and may vary significantly from period to period. Main Street is required to include net deferred tax provision/benefit in calculating its total expenses even though these net deferred taxes are not currently payable/receivable.
- (2) Not annualized.
- (3) Operating expenses include interest, compensation, general and administrative and share-based compensation expenses, net of expenses allocated to the External Investment Manager.
- (4) Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by Main Street's dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.
- (5) Total return based on change in net asset value was calculated using the sum of ending net asset value plus dividends to stockholders and other non-operating changes during the period, as divided by the beginning net asset value.

**NOTE I—DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME**

Main Street paid regular monthly dividends of \$0.180 per share for each month of January through September 2016, totaling approximately \$28.3 million, or \$0.540 per share, for the three months ended September 30, 2016, and \$83.1 million, or \$1.620 per share, for the nine months ended September 30,

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

2016. The third quarter 2016 regular monthly dividends represent a 2.9% increase from the regular monthly dividends paid for the third quarter of 2015. Additionally, Main Street paid a \$0.275 per share supplemental semi-annual dividend, totaling \$14.2 million, in June 2016 compared to a \$13.7 million, or \$0.275 per share, paid in June 2015. The regular monthly dividends equaled a total of approximately \$26.2 million, or \$0.525 per share, for the three months ended September 30, 2015, and \$75.4 million, or \$1.560 per share, for the nine months ended September 30, 2015.

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

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

## MAIN STREET CAPITAL CORPORATION

## Notes to Consolidated Financial Statements (Continued)

## (Unaudited)

Listed below is a reconciliation of "Net increase in net assets resulting from operations" to taxable income and to total distributions declared to common stockholders for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
	(estimated, dollars in thousands)	
Net increase in net assets resulting from operations	\$ 90,907	\$ 96,895
Book tax difference from share-based compensation expense	(708)	(662)
Net change in net unrealized (appreciation) depreciation	28,829	(20,372)
Income tax benefit	(1,018)	(7,004)
Pre-tax book loss not consolidated for tax purposes	16,771	15,240
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains (losses) and changes in estimates	(4,141)	992
Estimated taxable income(1)	130,640	85,089
Taxable income earned in prior year and carried forward for distribution in current year	29,683	38,638
Taxable income earned prior to period end and carried forward for distribution next period	(72,094)	(42,279)
Dividend payable as of period end and paid in the following period	9,783	9,014
Total distributions accrued or paid to common stockholders	<u>\$ 98,012</u>	<u>\$ 90,462</u>

- (1) Main Street's taxable income for each period is an estimate and will not be finally determined until the company files its tax return for each year. Therefore, the final taxable income, and the taxable income earned in each period and carried forward for distribution in the following period, may be different than this estimate.

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

MSCC's wholly owned subsidiary MSCP is included in Main Street's consolidated financial statements for financial reporting purposes. For tax purposes, MSCP has elected to be treated as a

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

taxable entity, and therefore is not consolidated with MSCC for income tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate income tax expense or benefit. The taxable income, or loss, of MSCP may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in Main Street's consolidated financial statements.

The income tax expense, or benefit, and the related tax assets and liabilities, generated by the Taxable Subsidiaries and MSCP, if any, are reflected in Main Street's consolidated financial statements. For the three months ended September 30, 2016, Main Street recognized a net income tax benefit of \$0.5 million, principally consisting of a deferred tax benefit of \$1.4 million which is primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in the loss carryforwards, changes in net unrealized appreciation or depreciation and other temporary book-tax differences, partially offset by a \$0.9 million current tax expense which is primarily related to a \$1.0 million accrual for excise tax on Main Street's estimated undistributed taxable income. For the nine months ended September 30, 2016, Main Street recognized a net income tax benefit of \$1.0 million, principally consisting of a deferred tax benefit of \$3.4 million which is primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in the loss carryforwards, changes in net unrealized appreciation or depreciation and temporary book-tax differences, partially offset by \$2.4 million in current tax expense which is composed of a (i) \$2.1 million accrual for excise tax on its estimated undistributed taxable income and (ii) \$0.3 million of accruals for current U.S. federal income and state taxes. For the three months ended September 30, 2015, Main Street recognized a net income tax benefit of \$3.2 million, which principally consisted of a deferred tax benefit of \$2.7 million which was primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in the loss carryforwards, changes in net unrealized appreciation or depreciation and other temporary book tax differences and a \$0.5 million benefit for other current taxes, which was primarily related to a \$0.7 million benefit for current U.S. federal income and state taxes, partially offset by \$0.2 million accrual for excise tax on its estimated undistributed taxable income. For the nine months ended September 30, 2015, Main Street recognized a net income tax benefit of \$7.0 million, which principally consisted of a deferred tax benefit of \$8.5 million primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries including changes in the loss carryforwards, changes in net unrealized appreciation or depreciation and temporary book tax differences, partially offset by \$1.5 million in other current taxes, which principally consisted of \$0.8 million of accruals for current U.S. federal income and state taxes, and a \$0.7 million accrual for excise tax on its estimated undistributed taxable income.

The net deferred tax asset at September 30, 2016 and December 31, 2015 was \$9.2 million and \$4.0 million, respectively, primarily related to loss carryforwards, timing differences in net unrealized appreciation or depreciation and other temporary book-tax differences relating to portfolio investments held by the Taxable Subsidiaries. In addition, during the three months ended March 31, 2016, Main Street recorded a one-time \$1.8 million increase to deferred tax assets for previously unrecognized excess tax benefits associated with share-based compensation due to the early adoption of the new accounting standard ASU 2016-09 (See further discussion in Note B.8.). As of September 30, 2016, the Taxable Subsidiaries had a capital loss carryforward of \$15.6 million. For federal income tax purposes, the capital loss carryforward will expire in taxable years 2020 and 2021. The timing and manner in which Main Street will utilize any net loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code.

**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

**NOTE J—COMMON STOCK**

During November 2015, Main Street commenced a program with selling agents through which it can sell shares of its common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the nine months ended September 30, 2016, Main Street sold 1,996,793 shares of its common stock at a weighted-average price of \$32.67 per share and raised \$65.2 million of gross proceeds under the ATM Program. Net proceeds were \$64.3 million after commissions to the selling agents on shares sold and offering costs. As of September 30, 2016, sales transactions representing 30,804 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet, but are included in the weighted average shares outstanding on the consolidated statement of operations and in the shares used to calculate net asset value per share. As of September 30, 2016, 362,639 shares were available for sale under the ATM Program.

During November and December 2015, Main Street sold 140,568 shares of its common stock at a weighted-average price of \$31.98 per share and raised \$4.5 million of gross proceeds under the ATM Program. Net proceeds were \$4.3 million after commissions to the selling agents on shares sold and offering costs.

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

**NOTE K—DIVIDEND REINVESTMENT PLAN ("DRIP")**

Main Street's DRIP provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if Main Street declares a cash dividend, the company's stockholders who have not "opted out" of the DRIP by the dividend record date will have their cash dividend automatically reinvested into additional shares of MSCC common stock. The share requirements of the DRIP may be satisfied through the issuance of shares of common stock or through open market purchases of common stock. Newly issued shares will be valued based upon the final closing price of MSCC's common stock on the valuation date determined for each dividend by Main Street's Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased, before any associated brokerage or other costs. Main Street's DRIP is administered by its transfer agent on behalf of Main Street's record holders and participating brokerage firms. Brokerage firms and other financial intermediaries may decide not to participate in Main Street's DRIP but may provide a similar dividend reinvestment plan for their clients.

For the nine months ended September 30, 2016, \$10.6 million of the total \$97.3 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 339,544 newly issued shares. For the nine months ended September 30, 2015, \$13.7 million of the total \$89.1 million in dividends paid to stockholders represented DRIP participation. During this period, the DRIP participation requirements were satisfied with the issuance of 444,957 newly issued shares and with the purchase of 3,131 shares of common stock in the open market. The shares disclosed above relate only to Main Street's DRIP and exclude any activity related to broker-managed dividend reinvestment plans.

**MAIN STREET CAPITAL CORPORATION****Notes to Consolidated Financial Statements (Continued)****(Unaudited)****NOTE L—SHARE-BASED COMPENSATION**

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

Main Street's Board of Directors approves the issuance of shares of restricted stock to Main Street employees pursuant to the Main Street Capital Corporation 2015 Equity and Incentive Plan (the "Equity and Incentive Plan"). These shares generally vest over a three-year period from the grant date. The fair value is expensed over the service period, starting on the grant date. The following table summarizes the restricted stock issuances approved by Main Street's Board of Directors under the Equity and Incentive Plan, net of shares forfeited, if any, and the remaining shares of restricted stock available for issuance as of September 30, 2016.

Restricted stock authorized under the plan	3,000,000
Less net restricted stock granted during:	
Year ended December 31, 2015	(900)
Nine months ended September 30, 2016	(260,514)
Restricted stock available for issuance as of September 30, 2016	<u>2,738,586</u>

As of September 30, 2016, the following table summarizes the restricted stock issued to Main Street's non-employee directors and the remaining shares of restricted stock available for issuance pursuant to the Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan. These shares are granted upon appointment or election to the board and vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over such service period.

Restricted stock authorized under the plan	300,000
Less net restricted stock granted during:	
Year ended December 31, 2015	(6,806)
Nine months ended September 30, 2016	(6,748)
Restricted stock available for issuance as of September 30, 2016	<u>286,446</u>

For the three months ended September 30, 2016 and 2015, Main Street recognized total share-based compensation expense of \$2.1 million and \$1.7 million, respectively, related to the restricted stock issued to Main Street employees and non-employee directors, and, for the nine months ended September 30, 2016 and 2015, Main Street recognized total share-based compensation expense of \$6.0 million and \$4.6 million, respectively, related to the restricted stock issued to Main Street employees and non-employee directors.

As of September 30, 2016, there was \$14.4 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 2.0 years as of September 30, 2016.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

NOTE M—COMMITMENTS AND CONTINGENCIES

At September 30, 2016, Main Street had the following outstanding commitments (in thousands):

<u>Category / Company</u>	<u>Amount</u>
<i>Investments with equity capital commitments that have not yet funded:</i>	
<i>Encap Energy Fund Investments</i>	
EnCap Energy Capital Fund VIII, L.P.	\$ 686
EnCap Energy Capital Fund VIII Co-Investors, L.P.	96
EnCap Energy Capital Fund IX, L.P.	958
EnCap Energy Capital Fund X, L.P.	7,346
EnCap Flatrock Midstream Fund II, L.P.	5,589
EnCap Flatrock Midstream Fund III, L.P.	5,026
	<u>\$ 19,701</u>
<i>Congruent Credit Opportunities Funds</i>	
Congruent Credit Opportunities Fund II, LP	\$ 8,488
Congruent Credit Opportunities Fund III, LP	14,246
	<u>\$ 22,734</u>
<i>Freeport Fund Investments</i>	
Freeport First Lien Loan Fund III LP	\$ 8,936
Freeport Financial SBIC Fund LP	1,375
	<u>\$ 10,311</u>
I-45 SLF LLC	\$ 4,800
<i>Dos Rios Partners</i>	
Dos Rios Partners, LP	\$ 2,353
Dos Rios Partners—A, LP	747
	<u>\$ 3,100</u>
Brightwood Capital Fund III, LP	\$ 3,750
EIG Fund Investments	\$ 2,334
LKCM Headwater Investments I, L.P.	\$ 2,500
Access Media Holdings, LLC	\$ 518
Total equity commitments	<u>\$ 69,748</u>
<i>Investments with commitments to fund revolving loans that have not been fully drawn or term loans with additional commitments not yet funded:</i>	
UniRush, LLC	\$ 4,000
CapFusion, LLC	3,200
Barfly Ventures, LLC	2,756
Buca C, LLC	2,670
PT Network, LLC	2,621
Truck Bodies and Equipment International, Inc.	2,208

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

<u>Category / Company</u>	<u>Amount</u>
Hojeij Branded Foods, LLC	2,028
Applied Products, Inc.	2,000
Mid-Columbia Lumber Products, LLC	2,000
LaMi Products, LLC	1,765
Arcus Hunting LLC	1,396
Messenger, LLC	1,323
Gamber-Johnson Holdings, LLC	1,200
Grace Hill, LLC	1,025
NRI Clinical Research, LLC	1,000
Lamb's Venture, LLC	861
Apex Linen Service, Inc.	800
Minute Key, Inc.	800
Mystic Logistics, Inc.	800
Energy & Exploration Partners, LLC	663
Jackmont Hospitality, Inc.	593
Vision Interests, Inc.	525
Insurance Technologies, LLC	522
UniTek Global Services, Inc.	483
BBB Tank Services, LLC	464
HW Temps LLC	400
Subsea Global Solutions, LLC	285
AccuMED Corp.	250
Garreco, LLC	200
Jensen Jewelers of Idaho, LLC	200
Total loan commitments	<u>\$ 39,038</u>
Total commitments	<u>\$ 108,786</u>

Main Street will fund its unfunded commitments from the same sources it uses to fund its investment commitments that are funded at the time they are made (which are typically through existing cash and cash equivalents, the liquidation of Marketable securities and idle funds investments, and a combination of future debt and equity capital). Main Street follows a process to manage its liquidity and ensure that it has available capital to fund its unfunded commitments as necessary. The Company had total unrealized depreciation of \$0.1 million on the outstanding unfunded commitments as of September 30, 2016.

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



**MAIN STREET CAPITAL CORPORATION**

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

**(Unaudited)**

**NOTE N—RELATED PARTY TRANSACTIONS**

As discussed further in Note D, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of Main Street's Investment Portfolio. At September 30, 2016, Main Street had a receivable of approximately \$2.2 million due from the External Investment Manager which included approximately \$1.4 million related primarily to operating expenses incurred by MSCC or its subsidiaries required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.8 million.

In November 2015, Main Street's board of directors approved and adopted the Main Street Capital Corporation Deferred Compensation Plan (the "2015 Deferred Compensation Plan"). The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the Deferred Compensation Plan for Non-Employee Directors previously adopted by the board of directors in June 2013 (the "2013 Deferred Compensation Plan"). Under the 2015 Deferred Compensation Plan, non-employee directors and certain key employees may defer receipt of some or all of their cash compensation and directors' fees, subject to certain limitations. Individuals participating in the 2015 Deferred Compensation Plan receive distributions of their respective balances based on predetermined payout schedules or other events as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan, including phantom Main Street stock units. As of September 30, 2016, \$2.0 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,753 shares of Main Street's common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of September 30, 2016 represented 63,257 shares of Main Street's common stock. Any amounts deferred under the plan represented by phantom Main Street stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but are included in operating expenses and weighted average shares outstanding on Main Street's consolidated statement of operations as earned.

**NOTE O—SUBSEQUENT EVENTS**

In October 2016, Main Street declared a semi-annual supplemental cash dividend of \$0.275 per share payable in December 2016. This supplemental cash dividend is in addition to the previously announced regular monthly cash dividends that Main Street declared for the fourth quarter of 2016 of \$0.185 per share for each of October, November and December 2016.

In November 2016, Main Street declared regular monthly dividends of \$0.185 per share for each month of January, February and March of 2017. These regular monthly dividends equal a total of \$0.555 per share for the first quarter of 2017 and represent a 2.8% increase from the regular monthly dividends declared for the first quarter of 2016. Including the semi-annual supplemental dividend declared for December 2016 and the regular monthly dividends declared for the first quarter of 2017, Main Street will have paid \$19.160 per share in cumulative dividends since its October 2007 initial public offering.

In October 2016, Main Street amended its Credit Facility to extend the maturity by one year to September 2021. The Credit Facility includes total commitments of \$555.0 million from a diversified group of fourteen lenders and also contains an accordion feature which allows Main Street to increase the total commitments under the facility to up to \$750.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

## MAIN STREET CAPITAL CORPORATION

**Consolidated Schedule of Investments In and Advances to Affiliates**  
**Nine Months Ended September 30, 2016**  
(dollars in thousands)  
(Unaudited)

<u>Company</u>	<u>Investment(1)</u>	<u>Amount of Interest, Fees or Dividends Credited to Income(2)</u>	<u>December 31, 2015 Fair Value</u>	<u>Gross Additions(3)</u>	<u>Gross Reductions(4)</u>	<u>September 30, 2016 Fair Value</u>
<b>Control Investments</b>						
<i>Majority-owned investments</i>						
<b>Café Brazil, LLC</b>	Member Units	416	7,330	—	760	6,570
<b>CMS Minerals LLC</b>	Member Units	101	—	4,083	190	3,893
	Preferred Member Units	1,172	6,914	—	3,543	3,371
<b>Gamber-Johnson Holdings, LLC</b>	LIBOR Plus 11.00% (Floor 1.00%)	884	—	19,798	—	19,798
	Member Units	354	—	12,124	—	12,124
<b>GRT Rubber Technologies LLC</b>	LIBOR Plus 9.00% (Floor 1.00%)	1,118	15,988	134	2,638	13,484
	Member Units	335	15,580	2,450	—	18,030
<b>Hydratec, Inc.</b>	Common Stock	1,270	14,950	810	—	15,760
<b>IDX Broker, LLC</b>	12.5% Secured Debt	1,099	11,350	16	116	11,250
	Member Units	68	6,440	250	—	6,690
<b>Jensen Jewelers of Idaho, LLC</b>	Prime Plus 6.75% (Floor 2.00%)	359	4,055	522	372	4,205
	Member Units	159	4,750	—	100	4,650
<b>Lamb's Venture, LLC</b>	LIBOR Plus 5.75%	7	—	352	213	139
	11% Secured Debt	653	7,962	—	227	7,735
	Preferred Equity	—	328	72	—	400
	Member Units	50	4,690	1,190	—	5,880
	9.5% Secured Debt	65	919	—	37	882
	Member Units	45	1,240	380	—	1,620
<b>Lighting Unlimited, LLC</b>	8% Secured Debt	92	1,514	—	—	1,514
	Preferred Equity	—	430	—	—	430
	Warrants	—	40	—	30	10
	Member Units	(81)	350	—	270	80
<b>Mid-Columbia Lumber Products, LLC</b>	10% Secured Debt	133	1,750	—	—	1,750
	12% Secured Debt	356	3,900	—	—	3,900
	Member Units	4	2,580	—	280	2,300
	9.5% Secured Debt	62	881	—	34	847
	Member Units	16	550	50	—	600
<b>MSC Adviser I, LLC</b>	Member Units	2,110	27,272	2,861	—	30,133
<b>Mystic Logistics Holdings, LLC</b>	12% Secured Debt	892	9,448	32	304	9,176
	Common Stock	—	5,970	—	820	5,150
<b>NRP Jones, LLC</b>	6% Current / 6% PIK Secured Debt	1,426	12,948	683	—	13,631
	Warrants	—	450	—	320	130
	Member Units	—	1,480	—	1,070	410
<b>PPL RVs, Inc.</b>	11.1% Secured Debt	820	9,710	—	—	9,710
	Common Stock	261	9,770	2,010	—	11,780
<b>Principle Environmental, LLC</b>	12% Secured Debt	392	4,060	21	21	4,060
	12% Current / 2% PIK Secured Debt	354	3,310	52	1	3,361
	Preferred Member Units	—	6,060	—	1,460	4,600
	Warrants	—	310	—	290	20
<b>Quality Lease Service, LLC</b>	8% PIK Secured Debt	392	6,538	391	—	6,929
	Member Units	—	2,638	250	—	2,888
<b>Southern RV, LLC</b>	13% Secured Debt	157	11,400	104	11,504	—
	Member Units	957	15,100	—	15,100	—
	13% Secured Debt	45	3,250	30	3,280	—
	Member Units	—	1,200	—	1,200	—

Company	Investment(1)	Amount of Interest, Fees or Dividends				September 30, 2016
		Credited to Income(2)	December 31, 2015 Fair Value	Gross Additions(3)	Gross Reductions(4)	
The MPI Group, LLC	9% Secured Debt	202	2,921	1	—	2,922
	Series A Preferred Units	—	690	—	330	360
	Warrants	—	—	—	—	—
	Member Units	95	2,230	70	—	2,300
Travis Acquisition LLC	12% Secured Debt	340	3,513	43	3,556	—
	Member Units	2,812	14,480	—	14,480	—
Uvalco Supply, LLC	9% Secured Debt	77	1,314	—	328	986
	Member Units	140	5,460	—	600	4,860
Vision Interests, Inc.	13% Secured Debt	312	3,052	15	182	2,885
	Series A Preferred Stock	—	3,550	—	180	3,370
	Common Stock	—	210	—	70	140
Ziegler's NYPD, LLC	6.5% Secured Debt	51	992	1	—	993
	12% Secured Debt	37	500	—	200	300
	14% Secured Debt	293	2,750	—	—	2,750
	Warrants	—	50	170	—	220
	Preferred Member Units	—	3,400	300	—	3,700
<b>Other controlled investments</b>						
Access Media Holdings, LLC	5.00% Current / 5.00% PIK Secured Debt	\$ 1,689	20,380	\$ 826	\$ 1,486	\$ 19,720
	Preferred Member Units	—	2,000	1,732	3,482	250
	Member Units	—	—	—	—	—
AmeriTech College, LLC	10% Secured Debt	76	1,003	1	—	1,004
	10% Secured Debt	230	3,025	—	—	3,025
	Preferred Member Units	86	2,291	—	—	2,291
ASC Interests, LLC	11% Secured Debt	205	2,500	10	260	2,250
	Member Units	65	2,230	450	—	2,680
Bond-Coat, Inc.	12% Secured Debt	1,085	11,596	17	17	11,596
	Common Stock	—	9,140	—	4,050	5,090
CBT Nuggets, LLC	Member Units	6,225	42,120	10,680	—	52,800
Datacom, LLC	8% Secured Debt	33	—	900	—	900
	5.25% Current / 5.25% PIK Secured Debt	878	10,970	369	451	10,888
	Class A Preferred Member Units	—	1,181	137	—	1,318
	Class B Preferred Member Units	—	5,079	—	3,310	1,769
Garreco, LLC	14% Secured Debt	636	5,739	22	250	5,511
	Member Units	5	1,270	—	120	1,150
Gulf Manufacturing, LLC	9% PIK Secured Debt	53	777	—	—	777
	Member Units	—	13,770	—	5,000	8,770
Gulf Publishing Holdings, LLC	12.5% Secured Debt	645	—	9,907	—	9,907
	Member Units	62	—	3,124	—	3,124
Harrison Hydra-Gen, Ltd.	9% Secured Debt	9	5,010	—	5,010	—
	Preferred Stock	2	1,361	2	1,363	—
	Common Stock	137	2,600	740	—	3,340
Hawthorne Customs and Dispatch Services, LLC	Member Units	—	460	—	180	280
	Member Units	141	2,220	—	180	2,040
HW Temps LLC	LIBOR Plus 9.50% (Floor 1.00%)	814	9,884	412	—	10,296
	Preferred Member Units	354	3,942	418	—	4,360
Indianapolis Aviation Partners, LLC	15% Secured Debt	417	3,100	5	5	3,100
	Warrants	—	2,540	109	—	2,649
Marine Shelters Holdings, LLC (LoneStar Marine Shelters)	12% PIK Secured Debt	886	8,870	939	430	9,379
	Preferred Member Units	—	4,881	—	3,975	906
MH Corbin Holding LLC	10% Secured Debt	1,062	13,869	21	525	13,365
	Preferred Member Units	105	6,000	—	—	6,000
NAPCO Precast, LLC	Prime Plus 2.00% (Floor 7.00%)	219	4,005	—	1,292	2,713
	18% Secured Debt	609	4,924	—	972	3,952
	Member Units	645	8,590	2,080	—	10,670

Company	Investment(1)	Amount of Interest, Fees or Dividends				September 30, 2016
		Credited to Income(2)	December 31, 2015 Fair Value	Gross Additions(3)	Gross Reductions(4)	
NRI Clinical Research, LLC	14% Secured Debt	519	4,539	79	108	4,510
	Warrants	—	340	310	—	650
	Member Units	—	1,342	979	—	2,321
<b>OMi Holdings, Inc.</b>	Common Stock	—	13,640	750	—	14,390
Pegasus Research Group, LLC (Televerde)	Member Units	339	6,840	1,780	—	8,620
River Aggregates, LLC	Zero Coupon Secured Debt	52	556	53	—	609
	Member Units	345	3,830	770	—	4,600
	Member Units	—	2,360	150	—	2,510
SoffTouch Medical Holdings LLC	LIBOR Plus 9.00% (Floor 1.00%)	606	8,010	65	850	7,225
	Member Units	262	5,710	2,960	—	8,670
Other						
Amounts related to investments transferred to or from other 1940 Act classification during the period						
		—	—	—	—	—
		<u>\$ 40,398</u>	<u>555,011</u>	<u>\$ 90,062</u>	<u>\$ 97,422</u>	<u>\$ 547,651</u>
<b>Affiliate Investments</b>						
AFG Capital Group, LLC	11% Secured Debt	\$ 1,313	\$ 12,790	\$ 349	\$ 13,139	\$ —
	Warrants	—	490	130	—	620
	Member Units	—	2,020	510	—	2,530
Barfly Ventures, LLC	12% Secured Debt	862	4,042	1,813	94	5,761
	Options	—	—	420	—	420
	Warrants	—	473	—	233	240
BBB Tank Services, LLC	LIBOR Plus 7.50% (Floor 1.00%)	6	—	332	—	332
	12% Current / 1% PIK Secured Debt	298	—	3,982	—	3,982
	Member Units	—	—	800	—	800
Boss Industries, LLC	Preferred Member Units	199	2,586	133	113	2,606
Bridge Capital Solutions Corporation	13% Secured Debt	984	6,890	5,660	7,000	5,550
	Warrants	—	1,300	2,012	—	3,312
	13% Secured Debt	40	—	990	—	990
	Preferred Member Units	19	—	1,000	—	1,000
Buca C, LLC	LIBOR Plus 7.25% (Floor 1.00%)	1,595	25,299	231	3,159	22,371
	Preferred Member Units	168	3,711	1,888	—	5,599
CAI Software LLC	12% Secured Debt	391	4,661	12	893	3,780
	Member Units	69	1,000	1,150	—	2,150
CapFusion, LLC	13% Secured Debt	1,003	—	11,566	—	11,566
	Warrants	—	—	1,200	—	1,200
Chandler Signs Holdings, LLC	12% Secured Debt	456	—	4,500	—	4,500
	Class A Units	82	—	2,950	—	2,950
Condit Exhibits, LLC	Member Units	130	1,010	770	—	1,780
Congruent Credit Opportunities Funds	LP Interests (Fund II)	400	2,834	—	1,395	1,439
	LP Interests (Fund III)	730	12,024	3,952	—	15,976
	12% Current / 2.5% PIK Secured Debt	2,427	21,253	468	61	21,660
Daseke, Inc.	Common Stock	—	22,660	—	1,020	21,640
Dos Rios Partners	LP Interests (Fund)	—	2,031	2,133	43	4,121
	LP Interests (Fund A)	—	648	677	134	1,191
Dos Rios Stone Products LLC	Class A Units	51	—	2,000	—	2,000
East Teak Fine Hardwoods, Inc.	Common Stock	37	860	—	—	860
East West Copolymer & Rubber, LLC	12% Secured Debt	949	9,463	71	—	9,534
	Warrants	—	50	—	—	50
EIG Fund Investments	LP Interests	225	718	2,070	—	2,788
EIG Traverse Co-Investment, L.P.	LP Interests	895	4,755	5,272	—	10,027
Freepport Financial Funds	LP Interests (Fund)	296	6,045	—	425	5,620
	LP Interests (Fund III)	357	2,077	1,487	—	3,564

Company	Investment(1)	Amount of Interest, Fees or Dividends Credited to		Gross Additions(3)	Gross Reductions(4)	September 30, 2016
		Income(2)	December 31, 2015 Fair Value			
<b>Gault Financial, LLC (RMB Capital, LLC)</b>	10% Secured Debt Warrants	1,156	10,930	123	—	11,053
<b>Glowpoint, Inc.</b>	8% Secured Debt	17	397	1	398	—
	12% Secured Debt	843	8,929	17	2,307	6,639
	Common Stock	—	3,840	—	1,680	2,160
<b>Guerdon Modular Holdings, Inc.</b>	LIBOR Plus 8.50% (Floor 1.00%)	20	(15)	975	960	—
	9% Current / 4% PIK Secured Debt	1,080	10,295	181	—	10,476
	Preferred Stock	—	—	1,140	—	1,140
	Common Stock	—	1,990	—	1,910	80
<b>Houston Plating and Coatings, LLC</b>	Member Units	(23)	8,440	433	4,493	4,380
<b>I-45 SLF LLC</b>	Member units	1,196	7,200	5,386	—	12,586
<b>Indianhead Pipeline Services, LLC</b>	12% Secured Debt	609	5,853	95	675	5,273
	Preferred Member Units	31	2,302	368	—	2,670
	Warrants	—	—	—	—	—
	Member Units	—	—	—	—	—
<b>KBK Industries, LLC</b>	10% Secured Debt	23	—	1,000	300	700
	12.5% Secured Debt	572	5,900	11	25	5,886
	Member Units	(8)	3,680	—	590	3,090
<b>L.F. Manufacturing Holdings, LLC</b>	Member Units	—	1,485	—	105	1,380
<b>MPS Denver, LLC</b>	Member Units	—	1,130	124	1,254	—
<b>OnAsset Intelligence, Inc.</b>	12% PIK Secured Debt	378	4,006	378	—	4,384
	Preferred Stock	—	1,380	—	1,380	—
	Warrants	—	—	—	—	—
<b>OPI International Ltd.</b>	10% Unsecured Debt	36	473	—	—	473
	Common Stock	—	3,200	—	—	3,200
<b>PCI Holding Company, Inc.</b>	12% Secured Debt	946	—	13,000	—	13,000
	Preferred Stock	450	4,887	450	297	5,040
<b>Radial Drilling Services Inc.</b>	12% Secured Debt	20	1,500	2,461	3,961	—
	Warrants	—	—	758	758	—
<b>Rocaccia, LLC (Quality Lease and Rental Holdings, LLC)</b>	12% Secured Debt	—	250	—	—	250
	Preferred Member Units	—	—	—	—	—
<b>Samba Holdings, Inc.</b>	12.5% Secured Debt	1,100	24,662	110	24,772	—
	Common Stock	—	30,220	—	30,220	—
<b>Tin Roof Acquisition Company</b>	12% Secured Debt	1,304	13,807	45	313	13,539
	Class C Preferred Stock	193	2,477	193	—	2,670
<b>UniTek Global Services, Inc.</b>	LIBOR Plus 7.50% (Floor 1.00%)	192	2,812	1	—	2,813
	LIBOR Plus 8.50% (Floor 1.00%)	86	1,255	7	447	815
	15% PIK Unsecured Debt	82	638	76	—	714
	Preferred Stock	495	5,540	660	—	6,200
	Common Stock	—	—	2,580	—	2,580
<b>Universal Wellhead Services Holdings, LLC</b>	Class A Preferred Units	—	3,000	—	1,840	1,160
<b>Valley Healthcare Group, LLC</b>	LIBOR Plus 12.50% (Floor 0.50%)	1,069	10,297	425	100	10,622
	Preferred Member Units	—	—	1,600	—	1,600
<b>Volusion, LLC</b>	10.5% Secured Debt	1,591	16,199	192	—	16,391
	Preferred Member Units	—	14,000	—	—	14,000
	Warrants	—	1,400	—	—	1,400

<u>Company</u>	<u>Investment(1)</u>	<u>Amount of Interest, Fees or Dividends Credited to Income(2)</u>	<u>December 31, 2015 Fair Value</u>	<u>Gross Additions(3)</u>	<u>Gross Reductions(4)</u>	<u>September 30, 2016 Fair Value</u>
Other						
Amounts related to investments transferred to or from other 1940 Act classification during the period		(345)	(15,530)	—	—	—
		<u>\$ 27,095</u>	<u>\$ 350,519</u>	<u>\$ 93,318</u>	<u>\$ 106,494</u>	<u>\$ 352,873</u>

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

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

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The information in this section contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC") on February 26, 2016, for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the consolidated financial statements and related notes and other financial information included in the Annual Report on Form 10-K for the year ended December 31, 2015.*

### ORGANIZATION

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

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

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

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

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

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be a taxable entity. The Taxable Subsidiaries and the External Investment Manager are each taxed at their normal corporate tax rates based on their taxable income.

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

## **OVERVIEW**

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

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

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

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

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



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

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

	As of September 30, 2016		
	LMM(a)	Middle Market	Private Loan
	(dollars in millions)		
Number of portfolio companies	71	81	45
Fair value	\$ 829.7	\$ 627.9	\$ 337.7
Cost	\$ 703.6	\$ 658.0	\$ 353.8
% of portfolio at cost—debt	68.8%	97.5%	94.3%
% of portfolio at cost—equity	31.2%	2.5%	5.7%
% of debt investments at cost secured by first priority lien	91.5%	87.6%	87.6%
Weighted-average annual effective yield(b)	12.5%	8.4%	9.6%
Average EBITDA(c)	\$ 6.2	\$ 101.6	\$ 21.1

- (a) At September 30, 2016, we had equity ownership in approximately 99% of our LMM portfolio companies, and the average fully diluted equity ownership in those portfolio companies was approximately 36%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of September 30, 2016, including amortization of deferred debt origination fees and accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares of our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.
- (c) The average EBITDA is calculated using a simple average for the LMM portfolio and a weighted average for the Middle Market and Private Loan portfolios. These calculations exclude certain portfolio companies, including five LMM portfolio companies, three Middle Market portfolio companies and three Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies.

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

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

As of September 30, 2016, we had Other Portfolio investments in ten companies, collectively totaling approximately \$94.8 million in fair value and approximately \$101.3 million in cost basis and which comprised 4.9% of our Investment Portfolio (as defined in "—Critical Accounting Policies—Basis of Presentation" below) at fair value. As of December 31, 2015, we had Other Portfolio investments in ten companies, collectively totaling approximately \$74.8 million in fair value and approximately \$75.2 million in cost basis and which comprised approximately 4.2% of our Investment Portfolio at fair value.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of September 30, 2016, there was no cost basis in this investment and the investment had a fair value of \$30.1 million, which comprised 1.6% of our Investment Portfolio at fair value. As of December 31, 2015, there was no cost basis in this investment and the investment had a fair value of \$27.3 million, which comprised 1.5% of our Investment Portfolio at fair value.

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

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

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

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms which are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our Investment Portfolio. For the three months ended September 30, 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.5% on an annualized basis, compared to 1.3% on an annualized basis for the three months ended September 30, 2015. For the nine months ended September 30, 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% on an annualized basis, which is consistent with the ratio on an annualized basis for the nine months ended September 30, 2015 and for the year ended December 31, 2015.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP ("HMS Adviser"), which is the investment advisor to HMS Income, a non-publicly traded BDC, to provide certain investment advisory services to HMS Adviser. In December 2013, after obtaining required no-action relief from the SEC to allow us to own a registered investment adviser, we assigned the sub-advisory agreement to the External Investment Manager since the fees received from such arrangement could otherwise have negative consequences on our ability to meet the source-of-income requirement necessary for us to maintain our RIC tax treatment. Under the investment sub-advisory agreement, the External Investment Manager is entitled to 50% of the base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with HMS Income. Based upon several fee waiver agreements with HMS Income and HMS Adviser, the External Investment Manager did not begin accruing the base management fee and incentive fees, if any, until January 1, 2014. The External Investment Manager has conditionally agreed to waive a limited amount of the incentive fees otherwise earned. During the three months ended September 30, 2016 and 2015, the External Investment Manager earned \$2.5 million and \$2.1 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser. During the nine months ended September 30, 2016 and 2015, the External Investment Manager earned \$7.1 million and \$5.5 million, respectively, of management fees (net of fees waived, if any) under the sub-advisory agreement with HMS Adviser.

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

receive performance-based fee compensation from HMS Income, this may provide it an incentive to allocate opportunities to HMS Income instead of us. However, both we and the External Investment Manager have policies and procedures in place to manage this conflict.

## CRITICAL ACCOUNTING POLICIES

### *Basis of Presentation*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For each of the periods presented herein, our consolidated financial statements include the accounts of MSCC and its consolidated subsidiaries. The Investment Portfolio, as used herein, refers to all of our investments in LMM portfolio companies, investments in Middle Market portfolio companies, Private Loan portfolio investments, Other Portfolio investments, and the investment in the External Investment Manager, but excludes all "Marketable securities and idle funds investments". "Marketable securities and idle funds investments" are classified as financial instruments and are reported separately on our consolidated balance sheets and consolidated schedules of investments due to the nature of such investments. Our results of operations for the three and nine months ended September 30, 2016 and 2015, cash flows for the nine months ended September 30, 2016 and 2015, and financial position as of September 30, 2016 and December 31, 2015, are presented on a consolidated basis. The effects of all intercompany transactions between us and our consolidated subsidiaries have been eliminated in consolidation.

Our accompanying unaudited consolidated financial statements are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three and nine months ended September 30, 2016 and 2015 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, 2015. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Under regulations pursuant to Article 6 of Regulation S-X applicable to BDCs and Accounting Standards Codification ("Codification" or "ASC") 946, *Financial Services—Investment Companies* ("ASC 946"), we are precluded from consolidating other entities in which we have equity investments, including those in which we have a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if we hold a controlling interest in an operating company that provides all or substantially all of its services directly to us or to any of our portfolio companies. Accordingly, as noted above, our consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. Our consolidated financial statements also include the financial position and operating results for our wholly owned operating subsidiary, Main Street Capital Partners, LLC, ("MSCP"), as the wholly owned subsidiary provides all of its services directly or indirectly to Main Street or our portfolio companies. We have determined that all of our portfolio investments do not qualify for this exception, including the investment in the External Investment Manager. Therefore, our Investment Portfolio is carried on the consolidated balance sheet at fair value with any adjustments to fair value recognized as "Net Change in Unrealized Appreciation (Depreciation)" on the consolidated statements of operations until the

investment is realized, usually upon exit, resulting in any gain or loss being recognized as a "Net Realized Gain (Loss)."

### ***Investment Portfolio Valuation***

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our Investment Portfolio and the related amounts of unrealized appreciation and depreciation. As of both September 30, 2016 and December 31, 2015, our Investment Portfolio valued at fair value represented approximately 96% of our total assets. We are required to report our investments at fair value. We follow the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact. See "Note B.1.—Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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

Our Board of Directors has the final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. We believe our Investment Portfolio as of September 30, 2016 and December 31, 2015 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

### ***Revenue Recognition***

#### ***Interest and Dividend Income***

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

#### ***Fee Income***

We may periodically provide services, including structuring and advisory services, to our portfolio companies or other third parties. For services that are separately identifiable and evidence exists to substantiate fair value, fee income is recognized as earned, which is generally when the investment or

other applicable transaction closes. Fees received in connection with debt financing transactions for services that do not meet these criteria are treated as debt origination fees and are deferred and accreted into interest income over the life of the financing.

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

We hold certain debt and preferred equity instruments in our Investment Portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We stop accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when we determine that such PIK interest and dividends in arrears are no longer collectible. For the three months ended September 30, 2016 and 2015, (i) approximately 4.0% and 2.2%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.8% and 1.2%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash. For the nine months ended September 30, 2016 and 2015, (i) approximately 3.7% and 2.1%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 1.1% and 1.0%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

#### *Share-Based Compensation*

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

#### *Income Taxes*

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

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

of the Code. The Taxable Subsidiaries are consolidated with us for U.S. GAAP financial reporting purposes, and the portfolio investments held by the Taxable Subsidiaries are included in our consolidated financial statements as portfolio investments and recorded at fair value. The Taxable Subsidiaries are not consolidated with MSCC for income tax purposes and may generate income tax expense, or benefit, and tax assets and liabilities, as a result of their ownership of certain portfolio investments. The taxable income, or loss, of the Taxable Subsidiaries may differ from their book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax expense, or benefit, if any, and the related tax assets and liabilities, are reflected in our consolidated financial statements.

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

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

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

## **INVESTMENT PORTFOLIO COMPOSITION**

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

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

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

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

Our external asset management business is conducted through the External Investment Manager. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. We have entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for its relationship with HMS Income. Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In the first quarter of 2014, we began allocating costs to the External Investment Manager pursuant to the sharing agreement. Our total expenses for the three months ended September 30, 2016 and 2015 are net of expenses allocated to the External Investment Manager of \$1.2 million and \$1.1 million, respectively. Our total expenses for the nine months ended September 30, 2016 and 2015 are net of expenses allocated to the External Investment Manager of \$3.7 million and \$3.1 million, respectively. The External Investment Manager earns management fees based on the assets of the funds under management and may earn incentive fees, or a carried interest, based on the performance of the funds managed. The total contribution of the External Investment Manager to our net investment income consists of the combination of the expenses allocated to the External Investment Manager and dividend income from the External Investment Manager. For the three months ended September 30, 2016 and 2015, the total contribution to our net investment income was \$2.0 million and \$1.8 million, respectively. For the nine months ended September 30, 2016 and 2015, the total contribution to our net investment income was \$5.8 million and \$4.7 million, respectively.

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of September 30, 2016 and December 31, 2015 (this information excludes the Other Portfolio investments and the External Investment Manager).

<u>Cost:</u>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
First lien debt	75.6%	75.8%
Equity	13.9%	13.5%
Second lien debt	8.5%	8.7%
Equity warrants	1.0%	0.9%
Other	1.0%	1.1%
	<u>100.0%</u>	<u>100.0%</u>



<b>Fair Value:</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
First lien debt	68.3%	66.1%
Equity	22.0%	24.9%
Second lien debt	8.0%	7.7%
Equity warrants	0.8%	0.6%
Other	0.9%	0.7%
	<u>100.0%</u>	<u>100.0%</u>

Our LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments carry a number of risks including: (1) investing in companies which may have limited operating histories and financial resources; (2) holding investments that generally are not publicly traded and which may be subject to legal and other restrictions on resale; and (3) other risks common to investing in below investment grade debt and equity investments in our Investment Portfolio. Please see "Risk Factors—Risks Related to Our Investments" contained in our Form 10-K for the fiscal year ended December 31, 2015 and "Risk Factors" below for a more complete discussion of the risks involved with investing in our Investment Portfolio.

#### **PORTFOLIO ASSET QUALITY**

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

- Investment Rating 1 represents a LMM portfolio company that is performing in a manner which significantly exceeds expectations.
- Investment Rating 2 represents a LMM portfolio company that, in general, is performing above expectations.
- Investment Rating 3 represents a LMM portfolio company that is generally performing in accordance with expectations.
- Investment Rating 4 represents a LMM portfolio company that is underperforming expectations. Investments with such a rating require increased monitoring and scrutiny by us.
- Investment Rating 5 represents a LMM portfolio company that is significantly underperforming. Investments with such a rating require heightened levels of monitoring and scrutiny by us and involve the recognition of significant unrealized depreciation on such investment.

All new LMM portfolio investments receive an initial Investment Rating of 3.

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The following table shows the distribution of our LMM portfolio investments on the 1 to 5 investment rating scale at fair value as of September 30, 2016 and December 31, 2015:

Investment Rating	As of September 30, 2016		As of December 31, 2015	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	(dollars in thousands)			
1	\$ 247,888	29.8%	\$ 332,606	38.6%
2	192,089	23.2%	143,268	16.6%
3	294,020	35.4%	277,160	32.1%
4	91,061	11.0%	107,926	12.5%
5	4,634	0.6%	1,750	0.2%
Total	\$ 829,692	100.0%	\$ 862,710	100.0%

Based upon our investment rating system, the weighted-average rating of our LMM portfolio was approximately 2.3 as of September 30, 2016 and 2.2 as of December 31, 2015.

As of September 30, 2016, our total Investment Portfolio had five investments on non-accrual status, which comprised approximately 0.4% of its fair value and 2.8% of its cost. As of December 31, 2015, our total Investment Portfolio had six investments on non-accrual status, which comprised approximately 0.4% of its fair value and 3.7% of its cost.

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

## DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### *Comparison of the three months ended September 30, 2016 and September 30, 2015*

	Three Months Ended September 30,		Net Change	
	2016	2015	Amount	%
	(dollars in thousands)			
Total investment income	\$ 46,599	\$ 42,608	\$ 3,991	9%
Total expenses	(16,042)	(14,747)	(1,295)	9%
Net investment income	30,557	27,861	2,696	10%
Net realized gain (loss) from investments	4,286	(1,343)	5,629	
Net change in net unrealized appreciation (depreciation) from:				
Portfolio investments	8,376	(8,389)	16,765	
SBIC debentures and marketable securities and idle funds	(566)	(698)	132	
Total net change in net unrealized appreciation (depreciation)	7,810	(9,087)	16,897	
Income tax benefit	528	3,237	(2,709)	
Net increase in net assets resulting from operations	\$ 43,181	\$ 20,668	\$ 22,513	109%

	Three Months Ended September 30,		Net Change	
	2016	2015	Amount	%
	(dollars in thousands, except per share amounts)			
Net investment income	\$ 30,557	\$ 27,861	\$ 2,696	10%
Share-based compensation expense	2,137	1,651	486	29%
Distributable net investment income(a)	<u>\$ 32,694</u>	<u>\$ 29,512</u>	<u>\$ 3,182</u>	11%
Distributable net investment income per share—Basic and diluted(a)	<u>\$ 0.62</u>	<u>\$ 0.59</u>	<u>\$ 0.03</u>	5%

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

### *Investment Income*

For the three months ended September 30, 2016, total investment income was \$46.6 million, a 9% increase over the \$42.6 million of total investment income for the corresponding period of 2015. This comparable period increase was principally attributable to (i) a \$1.4 million increase in interest income primarily related to higher average levels of portfolio debt investments and (ii) a \$2.8 million increase in dividend income from Investment Portfolio equity investments. The \$4.0 million increase in total investment income in the three months ended September 30, 2016 includes the impact of an increase of \$0.3 million primarily related to higher accelerated prepayment and repricing activity for certain Investment Portfolio debt investments when compared to the same period in 2015 and an increase of \$1.7 million related to dividend income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring during the period when compared to the same period in 2015.

### *Expenses*

For the three months ended September 30, 2016, total expenses increased to \$16.0 million from \$14.7 million for the corresponding period of 2015. This comparable period increase in operating expenses was principally attributable to (i) a \$0.6 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals, (ii) a \$0.5 million increase in share-based compensation expense and (iii) a \$0.3 million increase in interest expense, primarily due to an increase in interest expense on the Credit Facility in the three months ended September 30, 2016, with these increases partially offset by a \$0.1 million increase in the expenses allocated to the External Investment Manager (see further discussion in "Overview"), in each case when compared to the same period in the prior year. For the three months ended September 30, 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.5% on an annualized basis, compared to 1.3% on an annualized basis for the three months ended September 30, 2015 and 1.4% for the year ended December 31, 2015.

*Net Investment Income*

Net investment income for the three months ended September 30, 2016 was \$30.6 million, or a 10% increase, compared to net investment income of \$27.9 million for the corresponding period of 2015. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses as discussed above.

*Distributable Net Investment Income*

For the three months ended September 30, 2016, distributable net investment income increased 11% to \$32.7 million, or \$0.62 per share, compared with \$29.5 million, or \$0.59 per share, in the corresponding period of 2015. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses as discussed above. Distributable net investment income on a per share basis for the three months ended September 30, 2016 reflects (i) an increase of approximately \$0.01 per share from the comparable period in 2015 attributable to the net increase in the comparable levels of accelerated prepayment and repricing activity for certain Investment Portfolio debt investments, (ii) an increase of approximately \$0.03 per share from the comparable period in 2015 attributable to the increase in dividend income that is considered to be less consistent on a recurring basis or non-recurring and (iii) a greater number of average shares outstanding compared to the corresponding period in 2015 primarily due to shares issued through the ATM Program (as defined in "—Liquidity and Capital Resources—Capital Resources" below) and shares issued pursuant to our restricted stock plan and dividend reinvestment plan.

*Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the three months ended September 30, 2016 was \$43.2 million, or \$0.82 per share, compared with \$20.7 million, or \$0.41 per share, during the three months ended September 30, 2015. This \$22.5 million increase from the same period in the prior year period was primarily the result of (i) a \$16.9 million increase in net change in unrealized appreciation (depreciation) from net unrealized depreciation of \$9.1 million for the three months ended September 30, 2015 to net unrealized appreciation of \$7.8 million for the three months ended September 30, 2016, (ii) a \$5.6 million increase in the net realized gain (loss) from investments from a net realized loss of \$1.3 million during the three months ended September 30, 2015 to a net realized gain of \$4.3 million for the three months ended September 30, 2016 and (iii) a \$2.7 million increase in net investment income as discussed above, partially offset by a \$2.7 million decrease in the income tax benefit for the three months ended September 30, 2016. The net realized gain of \$4.3 million for the three months ended September 30, 2016 was primarily the result of (i) the net realized gain on the exit of three LMM investments totaling \$13.2 million and (ii) the net realized gain of \$1.2 million due to activity in our Other Portfolio, partially offset by (i) the realized loss of \$7.3 million on the exit of a Private Loan investment and (ii) the realized loss of \$2.6 million related to the restructuring of a Middle Market investment.

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The following table provides a summary of the total net unrealized appreciation of \$7.8 million for the three months ended September 30, 2016:

	Three Months Ended September 30, 2016				
	LMM(a)	Middle Market	Private Loan	Other(b)	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains)/losses recognized during period	\$ (10.2)	\$ 2.6	\$ 7.3	\$ (1.2)	\$ (1.5)
Net unrealized appreciation (depreciation) relating to portfolio investments	(3.3)	6.7	0.5	6.0	9.9
Total net change in unrealized appreciation (depreciation) relating to portfolio investments	<u>\$ (13.5)</u>	<u>\$ 9.3</u>	<u>\$ 7.8</u>	<u>\$ 4.8</u>	<u>\$ 8.4</u>
Net unrealized appreciation relating to marketable securities					0.2
Unrealized depreciation relating to SBIC debentures(c)					<u>(0.8)</u>
Total net change in unrealized appreciation (depreciation)					<u>\$ 7.8</u>

- (a) LMM includes unrealized appreciation on 20 LMM portfolio investments and unrealized depreciation on 18 LMM portfolio investments.
- (b) Other includes \$3.2 million of unrealized appreciation relating to the External Investment Manager and \$2.8 million of net unrealized appreciation relating to the Other Portfolio.
- (c) Relates to unrealized appreciation on the SBIC debentures issued by our wholly-owned subsidiary MSC II which are accounted for on a fair value basis.

The income tax benefit for the three months ended September 30, 2016 of \$0.5 million consisted of a deferred tax benefit of \$1.4 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences, partially offset by \$0.9 million of other current tax expense primarily related to an accrual for excise tax on our estimated undistributed taxable income.

*Comparison of the nine months ended September 30, 2016 and September 30, 2015*

	Nine Months Ended September 30,		Net Change	
	2016	2015	Amount	%
	(dollars in thousands)			
Total investment income	\$ 131,508	\$ 121,096	\$ 10,412	9%
Total expenses	(46,137)	(42,540)	(3,597)	8%
Net investment income	85,371	78,556	6,815	9%
Net realized gain (loss) from investments	33,347	(9,037)	42,384	
Net change in net unrealized appreciation (depreciation) from:				
Portfolio investments	(29,738)	21,716	(51,454)	
SBIC debentures and marketable securities and idle funds	909	(1,344)	2,253	
Total net change in net unrealized appreciation (depreciation)	(28,829)	20,372	(49,201)	
Income tax benefit	1,018	7,004	(5,986)	
Net increase in net assets resulting from operations	<u>\$ 90,907</u>	<u>\$ 96,895</u>	<u>\$ (5,988)</u>	(6)%

	Nine Months Ended September 30,		Net Change	
	2016	2015	Amount	%
	(dollars in thousands, except per share amounts)			
Net investment income	\$ 85,371	\$ 78,556	\$ 6,815	9%
Share-based compensation expense	5,977	4,592	1,385	30%
Distributable net investment income(a)	<u>\$ 91,348</u>	<u>\$ 83,148</u>	<u>\$ 8,200</u>	10%
Distributable net investment income per share—Basic and diluted(a)	<u>\$ 1.77</u>	<u>\$ 1.71</u>	<u>\$ 0.06</u>	4%

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

*Investment Income*

For the nine months ended September 30, 2016, total investment income was \$131.5 million, a 9% increase over the \$121.1 million of total investment income for the corresponding period of 2015. This comparable period increase was principally attributable to (i) a \$4.2 million increase in interest income primarily related to higher average levels of portfolio debt investments and (ii) a \$7.7 million increase in dividend income from Investment Portfolio equity investments, partially offset by (i) a \$0.8 million decrease in fee income and (ii) a \$0.7 million decrease in investment income from Marketable securities and idle funds investments. The \$10.4 million increase in total investment income in the nine

months ended September 30, 2016 includes an increase of \$1.7 million related to dividend income activity from portfolio companies that is considered to be less consistent on a recurring basis or non-recurring during the period when compared to the same period in 2015 and the impact of a decrease of \$0.9 million primarily related to lower accelerated prepayment and repricing activity for certain Investment Portfolio debt investments when compared to the same period in 2015.

#### *Expenses*

For the nine months ended September 30, 2016, total expenses increased to \$46.1 million from \$42.5 million for the corresponding period of 2015. This comparable period increase in operating expenses was principally attributable to (i) a \$1.4 million increase in share-based compensation expense, (ii) a \$1.3 million increase in interest expense, primarily due to an increase in interest expense on the Credit Facility generally due to the higher average balance outstanding in the nine months ended September 30, 2016, (iii) a \$1.0 million increase in compensation expense related to increases in the number of personnel, base compensation levels and incentive compensation accruals and (iv) a \$0.5 million increase in general and administrative expenses, with these increases partially offset by a \$0.6 million increase in the expenses allocated to the External Investment Manager, in each case when compared to the same period in the prior year. For the nine months ended September 30, 2016, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.4% on an annualized basis, which is consistent with the ratio on an annualized basis for the nine months ended September 30, 2015 and for the year ended December 31, 2015.

#### *Net Investment Income*

Net investment income for the nine months ended September 30, 2016 was \$85.4 million, or a 9% increase, compared to net investment income of \$78.6 million for the corresponding period of 2015. The increase in net investment income was principally attributable to the increase in total investment income, partially offset by higher operating expenses as discussed above.

#### *Distributable Net Investment Income*

For the nine months ended September 30, 2016, distributable net investment income increased 10% to \$91.3 million, or \$1.77 per share, compared with \$83.1 million, or \$1.71 per share, in the corresponding period of 2015. The increase in distributable net investment income was primarily due to the higher level of total investment income, partially offset by higher operating expenses both as discussed above. Distributable net investment income on a per share basis for the nine months ended September 30, 2016 reflects (i) a decrease of approximately \$0.02 per share from the comparable period in 2015 attributable to the net decrease in the comparable levels of accelerated prepayment and repricing activity for certain Investment Portfolio debt investments, (ii) an increase of approximately \$0.03 per share from the comparable period in 2015 attributable to the increase in dividend income that is considered to be less consistent on a recurring basis or non-recurring and (iii) a greater number of average shares outstanding compared to the corresponding period in 2015 primarily due to the March 2015 equity offering, shares issued through the ATM Program and shares issued pursuant to our restricted stock plan and dividend reinvestment plan.

#### *Net Increase in Net Assets Resulting from Operations*

The net increase in net assets resulting from operations during the nine months ended September 30, 2016 was \$90.9 million, or \$1.76 per share, compared with \$96.9 million, or \$1.99 per share, during the nine months ended September 30, 2015. This \$6.0 million decrease from the same period in the prior year period was primarily the result of (i) a \$49.2 million decrease in net change in unrealized appreciation (depreciation) from net unrealized appreciation of \$20.4 million for the nine

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months ended September 30, 2015 to net unrealized depreciation of \$28.8 million for the nine months ended September 30, 2016 and (ii) a \$6.0 million decrease in the income tax benefit from the same period in the prior year, partially offset by (i) a \$6.8 million increase in net investment income as discussed above and (ii) a \$42.4 million increase in the net realized gain (loss) from investments from a net realized loss of \$9.0 million during the nine months ended September 30, 2015 to a net realized gain of \$33.3 million for the nine months ended September 30, 2016. The net realized gain of \$33.3 million for the nine months ended September 30, 2016 was primarily the result of (i) the net realized gain of \$56.3 million on the exit five LMM investments and (ii) the net realized gain of \$2.8 million due to activity in our Other Portfolio, partially offset by (i) the net realized loss of \$9.6 million on the exit of three Private Loan investments, (ii) the net realized loss of \$10.0 million related to the restructuring of three Middle Market investments, (iii) the net realized loss of \$4.7 million on the exit of two Middle Market investments and (iv) the net realized loss of \$1.6 million on the exit of a Marketable securities and idle funds investment.

The following table provides a summary of the total net unrealized depreciation of \$28.8 million for the nine months ended September 30, 2016:

	Nine Months Ended September 30, 2016				
	LMM(a)	Middle Market	Private Loan	Other(b)	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains)/losses recognized during period	\$ (52.9)	\$ 18.7	\$ 9.5	\$ (2.7)	\$ (27.4)
Net change in unrealized appreciation (depreciation) relating to portfolio investments	1.9	1.5	(5.3)	(0.4)	(2.3)
Total net change in unrealized appreciation (depreciation) relating to portfolio investments	<u>\$ (51.0)</u>	<u>\$ 20.2</u>	<u>\$ 4.2</u>	<u>\$ (3.1)</u>	<u>\$ (29.7)</u>
Net change in unrealized appreciation relating to marketable securities					1.7
Unrealized depreciation relating to SBIC debentures(c)					(0.8)
Total net change in unrealized appreciation (depreciation)					<u>\$ (28.8)</u>

- (a) LMM includes unrealized appreciation on 29 LMM portfolio investments and unrealized depreciation on 26 LMM portfolio investments.
- (b) Other includes \$3.3 million of net unrealized depreciation relating to the Other Portfolio offset by \$2.9 million of unrealized appreciation relating to the External Investment Manager.
- (c) Relates to unrealized depreciation on the SBIC debentures held by MSC II which are accounted for on a fair value basis.

The income tax benefit for the nine months ended September 30, 2016 of \$1.0 million principally consisted of a deferred tax benefit of \$3.4 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences, partially offset by other current tax expense related to (i) a \$2.1 million accrual for excise



tax on our estimated undistributed taxable income and (ii) other current tax expense of \$0.3 million related to accruals for U.S. federal and state income taxes.

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

#### *Cash Flows*

For the nine months ended September 30, 2016, we experienced a net increase in cash and cash equivalents in the amount of \$11.5 million, which is the result of \$9.4 million of cash provided by our operating activities and \$2.0 million of cash provided by financing activities.

During the period, we generated \$9.4 million of cash from our operating activities, which resulted primarily from (i) cash flows we generated from the operating profits earned through our operating activities totaling \$79.7 million, which is our \$91.3 million of distributable net investment income, excluding the non-cash effects of the accretion of unearned income of \$7.1 million, payment-in-kind interest income of \$4.9 million, cumulative dividends of \$1.5 million and the amortization expense for deferred financing costs of \$1.9 million, (ii) cash uses totaling \$423.5 million which primarily resulted from (a) the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2015, which collectively total \$420.0 million, (b) \$3.0 million related to decreases in payables and accruals and (c) \$0.5 million from the purchase of Marketable securities and idle funds investments and (iii) cash proceeds totaling \$353.2 million from (a) \$347.9 million in cash proceeds from the sales and repayments of debt investments and sales of and return on capital of equity investments and (b) \$4.3 million of cash proceeds from the sale of Marketable securities and idle funds investments and (c) decreases in other assets of \$1.0 million.

During the nine months ended September 30, 2016, \$2.0 million in cash was provided by financing activities, which principally consisted of (i) \$64.3 million in net cash proceeds from the ATM Program (described below), (ii) \$22.0 million in net cash proceeds from the Credit Facility and (iii) \$6.0 million in cash proceeds from issuance of SBIC debentures, partially offset by (i) \$86.7 million in cash dividends paid to stockholders, (ii) \$2.6 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock and (iii) \$1.0 million for payment of deferred loan costs, SBIC debenture fees and other costs.

#### *Capital Resources*

As of September 30, 2016, we had \$31.8 million in cash and cash equivalents and \$242.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of September 30, 2016, our net asset value totaled \$1,144.4 million, or \$21.62 per share.

The Credit Facility, which provides additional liquidity to support our investment and operational activities, includes total commitments of \$555.0 million from a diversified group of fourteen lenders and matures in September 2020. The Credit Facility also contains an accordion feature which allows us to increase the total commitments under the facility to up to \$750.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis at a rate equal to the applicable LIBOR rate (0.53% as of September 30, 2016) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.50% as of September 30, 2016) plus 0.875%) as long as we maintain an investment grade rating and meet certain agreed upon excess collateral and maximum leverage requirements, (ii) 2.0% (or the applicable base rate plus 1.0%) if we maintain an investment grade rating but, do not meet certain excess collateral and maximum leverage requirements or (iii) 2.25% (or the applicable base rate plus 1.25%) if we do not maintain an investment grade rating. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries,

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excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio of at least 1.5 to 1.0 and (iv) maintaining a minimum tangible net worth. The Credit Facility is provided on a revolving basis through its final maturity date in September 2020, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. As of September 30, 2016, we had \$313.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.4% and we were in compliance with all financial covenants of the Credit Facility.

Due to each of the Funds' status as a licensed SBIC, we have the ability to issue, through the Funds, debentures guaranteed by the SBA at favorable interest rates and favorable terms and conditions. In addition, in December 2015, the 2016 omnibus spending bill approved by Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million. This new legislation allows us to issue additional SBIC debentures, subject to SBA approval, above the \$225.0 million that we had outstanding prior to the legislation. In August 2016, we received a license from the SBA to form and operate a third SBIC, which at the time provided us with up to an additional \$125.0 million of additional long-term, fixed interest rate debt capital through the issuance of SBA-guaranteed debentures. During September 2016, we issued \$6.0 million of SBIC debentures, leaving \$119.0 million of remaining capacity. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semi-annually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. On September 30, 2016, through our three wholly owned SBICs, we had \$231.0 million of outstanding SBIC debentures guaranteed by the SBA, which bear a weighted-average annual fixed interest rate of approximately 4.1%, paid semi-annually, and mature ten years from issuance. The first maturity related to our SBIC debentures does not occur until 2017, and the weighted-average remaining duration is approximately 5.0 years as of September 30, 2016.

In April 2013, we issued \$92.0 million, including the underwriters' full exercise of their over-allotment option, in aggregate principal amount of the 6.125% Notes. The 6.125% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 6.125% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 6.125% Notes mature on April 1, 2023, and may be redeemed in whole or in part at any time or from time to time at our option on or after April 1, 2018. We may from time to time repurchase 6.125% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of September 30, 2016, the outstanding balance of the 6.125% Notes was \$90.7 million.

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

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In November 2014, we issued \$175.0 million in aggregate principal amount of the 4.50% Notes at an issue price of 99.53%. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2019, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semi-annually on June 1 and December 1 of each year, beginning June 1, 2015. We may from time to time repurchase 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of September 30, 2016, the outstanding balance of the 4.50% Notes was \$175.0 million.

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

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

During November 2015, we commenced a program with selling agents through which we can sell shares of our common stock by means of at-the-market offerings from time to time (the "ATM Program"). During the three months ended December 31, 2015, we sold 140,568 shares of our common stock at a weighted-average price of \$31.98 per share and raised \$4.5 million of gross proceeds under the ATM Program. Net proceeds were \$4.3 million after commissions to the selling agents on shares sold and offering costs.

During the nine months ended September 30, 2016, we sold 1,996,793 shares of our common stock at a weighted-average price of \$32.67 per share and raised \$65.2 million of gross proceeds under the ATM Program. Net proceeds were \$64.3 million after commissions to the selling agents on shares sold and offering costs. As of September 30, 2016, sales transactions representing 30,804 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet, but are included in the weighted average shares outstanding on the consolidated statement of operations and in the shares used to calculate our net asset value per share. As of September 30, 2016, 362,639 shares were available for sale under the ATM Program.

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

We periodically invest excess cash balances into Marketable securities and idle funds investments. The primary investment objective of Marketable securities and idle funds investments is to generate incremental cash returns on excess cash balances prior to utilizing those funds for investment in our LMM, Middle Market and Private Loan portfolio investments. Marketable securities and idle funds investments generally consist of debt investments, independently rated debt investments, certificates of

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

If our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2016 annual meeting of stockholders because our common stock price per share had been trading significantly above the current net asset value per share of our common stock since 2011. We would therefore need future approval from our stockholders to issue shares below the then current net asset value per share.

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

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

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-9 supersedes the revenue recognition requirements under ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients*. This ASU clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters. The FASB tentatively decided to defer the effective date of the new revenue standard for public entities under U.S. GAAP for one year. If finalized, the new guidance will be effective for the annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. Early adoption would be permitted for annual reporting periods beginning

after December 15, 2016. We are currently evaluating the impact the adoption of this new accounting standard will have on our consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements—Disclosures for Certain Entities that Calculate Net Asset Value per Share*. This amendment updates guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy, while investments for which fair value is measured at net asset value per share but the practical expedient is not applied should continue to be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted this standard during the three months ended March 31, 2016. There was no impact of the adoption of this new accounting standard on our consolidated financial statements as none of our investments are measured through the use of the practical expedient.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. The impact of the adoption of this new accounting standard on our consolidated financial statements is currently being evaluated.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company elected to early adopt this standard during the three months ended March 31, 2016. See further discussion of the impact of the adoption of this standard in "Note B.8.—Summary of Significant Accounting Policies—Share-based Compensation" in the notes to consolidated financial statements

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

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

### ***Inflation***

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented herein. However, our portfolio companies have experienced, and may in the future

experience, the impacts of inflation on their operating results, including periodic escalations in their costs for labor, raw materials and third party services and required energy consumption.

### ***Off-Balance Sheet Arrangements***

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and fund equity capital and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At September 30, 2016, we had a total of \$108.8 million in outstanding commitments comprised of (i) 30 investments with commitments to fund revolving loans that had not been fully drawn or term loans with additional commitments not yet funded and (ii) nine investments with equity capital commitments that had not been fully called.

### ***Contractual Obligations***

As of September 30, 2016, the future fixed commitments for cash payments in connection with our SBIC debentures, the 4.50% Notes and the 6.125% Notes for each of the next five years and thereafter are as follows:

	2016	2017	2018	2019	2020	2021 and thereafter	Total
SBIC debentures	\$ —	\$ 15,000	\$ 10,200	\$ 20,000	\$ 55,000	\$ 130,800	\$ 231,000
Interest due on SBIC debentures(1)	—	9,569	8,293	7,970	6,772	11,155	43,759
Notes 6.125%	—	—	—	—	—	90,655	90,655
Interest due on 6.125% Notes	1,388	5,553	5,553	5,553	5,553	12,492	36,092
4.50% Notes	—	—	—	175,000	—	—	175,000
Interest due on 4.50% Notes	3,938	7,875	7,875	7,875	—	—	27,563
<b>Total</b>	<b>\$ 5,326</b>	<b>\$ 37,997</b>	<b>\$ 31,921</b>	<b>\$ 216,398</b>	<b>\$ 67,325</b>	<b>\$ 245,102</b>	<b>\$ 604,069</b>

- (1) The interest due on the \$6.0 million of SBIC debentures drawn in September 2016 does not have a final rate that has been fixed by the SBA as of September 30, 2016. In March 2017, the final rate for this tranche of SBIC debentures will be determined and, thereafter, the rate will be fixed for the ensuing 10 years. The table above assumes that the interim rate being charged as of September 30, 2016 will be used until the final maturity. This rate will be adjusted once the final rate is determined.

As of September 30, 2016, we had \$313.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2020. The Credit Facility contains two, one-year extension options which could extend the maturity to September 2022. See further discussion of the Credit Facility terms in "—Liquidity and Capital Resources—Capital Resources".

### ***Related Party Transactions***

As discussed further above, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of our Investment Portfolio. At September 30, 2016, we had a receivable of \$2.2 million due from the External Investment Manager which included approximately \$1.4 million primarily related to operating expenses incurred by us required to support the External Investment Manager's business, along with dividends declared but not paid by the External Investment Manager of approximately \$0.8 million.

In November 2015, our board of directors approved and adopted the Main Street Capital Corporation Deferred Compensation Plan (the "2015 Deferred Compensation Plan"). The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the Deferred Compensation Plan for Non-Employee Directors previously adopted by the board of directors in June 2013 (the "2013 Deferred Compensation Plan"). Under the 2015 Deferred Compensation Plan, non-employee directors and certain key employees may defer receipt of some or all of their cash compensation and directors' fees, subject to certain limitations. Individuals participating in the 2015 Deferred Compensation Plan receive distributions of their respective balances based on predetermined payout schedules or other events as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan, including phantom Main Street stock units. As of September 30, 2016, \$2.0 million of compensation and directors' fees had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$1.7 million was deferred into phantom Main Street stock units, representing 55,753 shares of our common stock. Including phantom stock units issued through dividend reinvestment, the phantom stock units outstanding as of September 30, 2016 represented 63,257 shares of our common stock. Any amounts deferred under the plan represented by phantom stock units will not be issued or included as outstanding on the consolidated statement of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but are included in operating expenses and weighted average shares outstanding on our consolidated statement of operations as earned.

### ***Recent Developments***

During October 2016, we declared a semi-annual supplemental cash dividend of \$0.275 per share payable in December 2016. This supplemental cash dividend is in addition to the previously announced regular monthly cash dividends that we declared for the fourth quarter of 2016 of \$0.185 per share for each of October, November and December 2016.

In November 2016, we declared regular monthly dividends of \$0.185 per share for each month of January, February and March of 2017. These regular monthly dividends equal a total of \$0.555 per share for the first quarter of 2017 and represent a 2.8% increase from the regular monthly dividends declared for the first quarter of 2016. Including the semi-annual supplemental dividend declared for December 2016 and the regular monthly dividends declared for the first quarter of 2017, we will have paid \$19.160 per share in cumulative dividends since its October 2007 initial public offering.

In October 2016, we amended our Credit Facility to extend the maturity by one year to September 2021. The Credit Facility includes total commitments of \$555.0 million from a diversified group of fourteen lenders and also contains an accordion feature which allows us to increase the total commitments under the facility to up to \$750.0 million from new and existing lenders on the same terms and conditions as the existing commitments.

### **Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and Marketable securities and idle funds investments. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. Our investment income will be affected by changes in various interest rates, including LIBOR and prime rates, to the extent that any debt investments include floating interest rates. The majority of our debt investments are made with either fixed interest rates or floating rates that are subject to contractual minimum interest rates for the term of the investment. As of September 30, 2016, approximately 64% of our debt investment portfolio (at cost) bore interest at floating rates, 98% of which were subject to contractual minimum interest rates. Our interest expense

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will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the interest rates on our outstanding SBIC debentures, 4.50% Notes and 6.125% Notes, which comprise the majority of our outstanding debt, are fixed for the life of such debt. As of September 30, 2016, we had not entered into any interest rate hedging arrangements. The following table shows the approximate annualized increase or decrease in the components of net investment income due to hypothetical base rate changes in interest rates, assuming no changes in our investments and borrowings as of September 30, 2016.

<u>Basis Point Change</u>	<u>Increase in Interest Income</u>	<u>Increase in Interest Expense</u>	<u>Increase (Decrease) in Net Investment Income</u>	<u>Increase (Decrease) in Net Investment Income per Share</u>
		(dollars in thousands)		
50	\$ 2,905	\$ (1,565)	\$ 1,340	\$ 0.03
100	7,501	(3,130)	4,371	0.08
150	12,214	(4,695)	7,519	0.14
200	16,980	(6,260)	10,720	0.20
300	26,512	(9,390)	17,122	0.32
400	36,058	(12,520)	23,538	0.44
500	45,617	(15,650)	29,967	0.57

**Basis Point Change**

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

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer, our President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, our Chairman and Chief Executive Officer, our President, our Chief Financial Officer, our Chief Compliance Officer and our Chief Accounting Officer, have concluded that our current disclosure controls and procedures are effective in timely alerting them of material information relating to us that is required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934. There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II—OTHER INFORMATION

### Item 1. *Legal Proceedings*

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

### Item 1A. *Risk Factors*

There have been no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 that we filed with the SEC on February 26, 2016, and as updated in our Form N-2 filed on May 16, 2016.

### Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

During the three months ended September 30, 2016, we issued 84,153 shares of our common stock under our dividend reinvestment plan. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended. The aggregate value of the shares of common stock issued during the three months ended September 30, 2016 under the dividend reinvestment plan was approximately \$2.8 million.

### Item 6. *Exhibits*

Listed below are the exhibits which are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Sixth Amendment to Second Amended and Restated Credit Agreement dated October 31, 2016 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on November 1, 2016 (File No. 1-33723)).
14.1	Code of Business Conduct and Ethics.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Main Street Capital Corporation**

Date: November 4, 2016

/s/ VINCENT D. FOSTER

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Vincent D. Foster  
*Chairman and Chief Executive Officer*  
*(principal executive officer)*

Date: November 4, 2016

/s/ BRENT D. SMITH

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Brent D. Smith  
*Chief Financial Officer and Treasurer*  
*(principal financial officer)*

Date: November 4, 2016

/s/ SHANNON D. MARTIN

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Shannon D. Martin  
*Vice President and Chief Accounting Officer*  
*(principal accounting officer)*

**EXHIBIT INDEX**

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**Exhibit 14.1**

**MAIN STREET CAPITAL CORPORATION**

**CODE OF BUSINESS  
CONDUCT AND ETHICS**

November 2016

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# CODE OF BUSINESS CONDUCT AND ETHICS

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## **CODE OF BUSINESS CONDUCT AND ETHICS**

### **Introduction**

Ethics are important to Main Street Capital Corporation ("*Main Street*" or the "*Company*") and to its management. Main Street is committed to the highest ethical standards and to conducting its business with the highest level of integrity. This code of business conduct and ethics (the "*Code*") has been adopted by Main Street in order to establish applicable policies, guidelines, and procedures that promote ethical practices and conduct by Main Street and all its employees, officers, and directors.

All officers, directors and employees of Main Street are responsible for maintaining this level of integrity and for complying with the policies contained in this Code. If you have a question or concern about what is proper conduct for you or anyone else, please raise these concerns with any member of management, or follow the procedures outlined in applicable sections of this Code.

### **Purpose of the Code**

This Code is intended to:

- help you recognize ethical issues and take the appropriate steps to resolve these issues;
- deter ethical violations and avoid any abuse of position of trust and responsibility;
- maintain confidentiality of our business activities;
- assist you in complying with applicable securities laws;
- assist you in reporting any unethical or illegal conduct; and
- reaffirm and promote our commitment to a corporate culture that values honesty and accountability.

All employees, as a condition of employment or continued employment, will acknowledge in writing that they have received a copy of this Code, read it, and understand that the Code contains our expectations regarding their conduct. All employees will receive any updates and updated versions of this Code and will be required to read and acknowledge such updates.

### **Conflicts of Interest**

You must avoid any conflict, or the appearance of a conflict, between your personal interests and our interests. A conflict exists when your personal interest in any way interferes with our interests, or when you take any action or have any interest that may make it difficult for you to perform your job objectively and effectively. For example, a conflict of interest probably exists if:

- you cause us to enter into business relationships with you or a member of your family, or invest in companies affiliated with you or a member of your family;
- you use any non-public information about us, our customers or our other business partners for your personal gain, or the gain of a member of your family; or
- you use or communicate confidential information obtained in the course of your work for your or another's personal benefit.

### Corporate Opportunities

Each of us has a duty to advance the legitimate interests of Main Street when the opportunity to do so presents itself. Therefore, you may not:

- take for yourself personally opportunities, including investment opportunities, discovered through the use of your position with us, or through the use of our property or information;
- use our property, information, or position for your personal gain or the gain of a family member; or
- compete, or prepare to compete, with us.

### Confidentiality

You must not disclose confidential information regarding us, our affiliates, our lenders, our clients, or our other business partners, unless disclosure is authorized or required by law. Confidential information includes all non-public information that might be harmful to, or useful to the competitors of, Main Street, our affiliates, our lenders, our clients, or our other business partners. Even after you leave Main Street, this obligation continues until the information becomes publicly available.

### Fair Dealing

You must endeavor to deal fairly with our customers, suppliers and business partners, or any other companies or individuals with whom we do business or come into contact with, including fellow employees and our competitors. You must not take unfair advantage of these or other parties by means of:

- manipulation;
- concealment;
- abuse of privileged information;
- misrepresentation of material facts; or
- any other unfair-dealing practice.

### Protection and Proper Use of Company Assets

Our assets are to be used only for legitimate business purposes. You should protect our assets and ensure that they are used efficiently.

Incidental personal use of telephones, fax machines, copy machines, personal computers and similar equipment is generally allowed if there is no significant added cost to us, it does not interfere with your work duties, and is not related to an illegal activity or to any outside business.

### Compliance with Applicable Laws, Rules and Regulations

Each of us has a duty to comply with all laws, rules and regulations that apply to our business. Highlighted below are some of the key compliance guidelines that must be followed.

- **Insider trading.** It is against the law to buy or sell securities using material information that is not available to the public. Individuals who give this "inside" information to others may be liable to the same extent as the individuals who trade while in possession of such information. You must not trade in our securities, or the securities of our affiliates, our lenders, our clients, or our other business partners while in the possession of "inside" information. All employees are required to be familiar and comply with our Insider Trading Policy and Procedures.



- **"Whistleblower" protections.** It is against the law to discharge, demote, suspend, threaten, harass, or discriminate in any manner against an employee who provides information or otherwise assists in investigations or proceedings relating to violations of federal securities laws or other federal laws prohibiting fraud against shareholders. You must not discriminate in any way against an employee who engages in these "whistleblower" activities.
- **Investment Company Act requirements.** A separate code of ethics has been established to comply with the Investment Company Act of 1940 and is applicable to those persons designated in such code.
- **Document Retention.** You must adhere to appropriate procedures governing the retention and destruction of records consistent with applicable laws, regulations and our policies. You may not destroy, alter or falsify any document that may be relevant to a threatened or pending lawsuit or governmental investigation.

Please talk to our Chief Compliance Officer if you have any questions about how to comply with the above regulations and other laws, rules and regulations.

In addition, we expect you to comply with all of our policies and procedures that apply to you. We may modify or update our policies and procedures in the future, and may adopt new policies and procedures from time to time. You are also expected to observe the terms of any confidentiality agreement, employment agreement or other similar agreement that applies to you.

### **Equal Opportunity, Harassment**

We are committed to providing equal opportunity in all of our employment practices including selection, hiring, promotion, transfer, and compensation of all qualified applicants and employees without regard to race, color, sex or gender, sexual orientation, religion, age, national origin, handicap, disability, citizenship status, or any other status protected by law. With this in mind, there are certain behaviors that will not be tolerated. These include harassment, violence, intimidation, and discrimination of any kind involving race, color, religion, gender, sexual orientation, age, national origin, citizenship status, handicap, disability, marital status, or any other status protected by law.

### **Political Activities**

Main Street encourages its employees to be actively involved in the civic affairs of the communities in which they live. When speaking on public issues, however, employees should do so only as individual citizens of the community and must be careful not to create the impression that they are acting for, or representing the views of, Main Street. Additionally, Main Street and its employees are prohibited from making any contribution or giving a gift to a state or local political candidate, official, party or organization that would be prohibited by applicable law. In order for the Company to determine whether a gift or political contribution may be prohibited, employees are required to provide advance notice to the Chief Compliance Officer in advance of a proposed contribution.

The Chief Compliance Officer retains discretion to monitor all business activities between the Company and the provider or recipient of any gift or political contribution in connection with this policy. Any questions regarding this policy or the application of this policy should be directed to the Chief Compliance Officer or Chief Executive Officer.

### **Loans**

No employee may borrow funds from or become indebted to any person, business or company having business dealings or a relationship with Main Street, except with respect to customary personal loans (*e.g.*, home mortgage loans, automobile loans, lines of credit, etc.), unless the arrangement is disclosed in writing and receives prior written approval from the Chief Compliance Officer of the

Company. No employee may use the Company's name, position in a particular market or goodwill to receive any benefit on loan transactions without the prior express written consent of the Chief Compliance Officer of the Company.

### **Accuracy of Company Records**

We require honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety, and personnel records, as well as financial records.

All financial books, records and accounts must accurately reflect transactions and events, and conform both to required accounting principles and to our system of internal controls. No false or artificial entries may be made.

### **Retaining Business Communications**

The law requires us to maintain certain types of corporate records, usually for specified periods of time. Failure to retain those records for those minimum periods could subject us to penalties and fines, cause the loss of rights, obstruct justice, place us in contempt of court, or seriously disadvantage us in litigation.

From time to time we establish retention or destruction policies in order to ensure legal compliance. We expect you to fully comply with any published records retention or destruction policies, provided that you should note the following exception: If you believe, or we inform you, that our records are relevant to any litigation or governmental action, or any potential litigation or action, then you must preserve those records until we determine the records are no longer needed. This exception supersedes any previously or subsequently established destruction policies for those records. If you believe that this exception may apply, or have any questions regarding the possible applicability of that exception, please contact our Chief Compliance Officer.

### **Media Relations**

We must speak with a unified voice in all dealings with the press and other media. As a result, our Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer or other designated persons will serve as our contact persons for media seeking information about Main Street. Any requests from the media must be referred to our Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer or other designated persons.

### **Intellectual Property Information**

Information generated in our business is a valuable asset. Protecting this information plays an important role in our growth and ability to compete. Such information includes business and research plans; objectives and strategies; trade secrets; unpublished financial information; salary and benefits data; lender and other business partner lists. Employees who have access to our intellectual property information are obligated to safeguard it from unauthorized access and:

- Not disclose this information to persons outside of Main Street;
- Not use this information for personal benefit or the benefit of persons outside of Main Street; and
- Not share this information with other employees except on a legitimate "need to know" basis.

### **Internet and E-Mail Policy**

We provide an e-mail system and Internet access to certain of our employees to help them do their work. You may use the e-mail system and the Internet only for legitimate business purposes in the course of your duties. Incidental and occasional personal use is permitted, but never for personal gain or any improper use. Further, you are prohibited from discussing or posting information regarding Main Street in any external electronic forum, including Internet chat rooms or electronic bulletin boards or social media sites.

### **Reporting Violations and Complaint Handling**

You are responsible for compliance with the rules, standards and principles described in this Code. In addition, you should be alert to possible violations of the Code by Main Street's employees, officers and directors, and you are expected to report a violation promptly. Normally, reports should be made to one's immediate supervisor. Under some circumstances, it may be impractical or you may feel uncomfortable raising a matter with your supervisor. In those instances, you are encouraged to contact our Chief Compliance Officer who will investigate and report the matter to our Chief Executive Officer and/or Board of Directors, as the circumstance dictates. You will also be expected to cooperate in an investigation of a violation.

Anyone who has a concern about our conduct, the conduct of an officer of Main Street or our accounting, internal accounting controls or auditing matters, may communicate that concern to the Audit Committee of the Board of Directors by direct communication with our Chief Compliance Officer or by email or in writing. All reported concerns shall be forwarded to the Audit Committee and will be simultaneously addressed by our Chief Compliance Officer in the same way that other concerns are addressed by us. The status of all outstanding concerns forwarded to the Audit Committee will be reported on a quarterly basis by our Chief Compliance Officer. The Audit Committee may direct that certain matters be presented to the full board and may also direct special treatment, including the retention of outside advisors or counsel, for any concern reported to it.

All reports will be investigated and whenever possible, requests for confidentiality shall be honored. And, while anonymous reports will be accepted, please understand that anonymity may hinder or impede the investigation of a report. All cases of questionable activity or improper actions will be reviewed for appropriate action, discipline or corrective actions. Whenever possible, we will keep confidential the identity of employees, officers or directors who are accused of violations, unless or until it has been determined that a violation has occurred.

**There will be no reprisal, retaliation or adverse action taken against any employee who, in good faith, reports or assists in the investigation of, a violation or suspected violation, or who makes an inquiry about the appropriateness of an anticipated or actual course of action.**

**For reporting concerns about Main Street's conduct, the conduct of an officer of Main Street, or about Main Street's accounting, internal accounting controls or auditing matters, you may use the following means of communication:**

**ADDRESS: MAIN STREET CAPITAL CORPORATION  
1300 Post Oak Boulevard, Suite 800  
Houston, TX 77056**

In the case of a confidential, anonymous submission, employees should set forth their concerns in writing and forward them in a sealed envelope to the Chairperson of the Audit Committee, in care of our Chief Compliance Officer, such envelope to be labeled with a legend such as: "To be opened by the Audit Committee only."

### **Administration of the Code**

The Chief Compliance Officer has overall responsibility for administering the Code and reporting on the administration of and compliance with the Code and related matters to our Board of Directors.

### **Sanctions for Code Violations**

All violations of the Code will result in appropriate corrective action, up to and including dismissal. If the violation involves potentially criminal activity, the individual or individuals in question will be reported, as warranted, to the appropriate authorities.

### **Application/Waivers**

All of our directors, officers and employees are subject to this Code.

Any amendment or waiver of the Code for an executive officer or member of our Board of Directors must be made by our Board of Directors and will be publicly disclosed in the manner required pursuant to Item 5.05 of Form 8-K.

### **Revisions and Amendments**

This Code may be revised, changed or amended at any time by our Board of Directors. Following any material revisions or updates, an updated version of this Code will be distributed to you, and will supersede the prior version of this Code effective upon distribution. We may ask you to sign an acknowledgement confirming that you have read and understood the revised version of the Code, and that you agree to comply with the provisions.

**APPENDIX A**

**Main Street Capital Corporation**

**Acknowledgment Regarding  
Code of Business Conduct and Ethics**

*This acknowledgment is to be signed and returned to our Chief Compliance Officer and will be retained as part of your permanent personnel file.*

I have received a copy of Main Street Capital Corporation's Code of Business Conduct and Ethics, read it, and understand that the Code contains the expectations of Main Street Capital Corporation regarding conduct. I agree to observe the policies and procedures contained in the Code of Business Conduct and Ethics and have been advised that, if I have any questions or concerns relating to such policies or procedures, I understand that I have an obligation to report to the Audit Committee, Chairman or President or other such designated officer, any suspected violations of the Code of which I am aware. I also understand that the Code is issued for informational purposes and that it is not intended to create, nor does it represent, a contract of employment.

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Date Received: \_\_\_\_\_

Reviewed By: \_\_\_\_\_

\_\_\_\_\_  
Date

*The failure to read and/or sign this acknowledgment in no way relieves you of your responsibility to comply with Main Street Capital Corporation's Code of Business Conduct and Ethics.*

## QuickLinks

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[APPENDIX A](#)

I, Vincent D. Foster, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2016 of Main Street Capital Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this November 4, 2016.

By: /s/ VINCENT D. FOSTER

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Vincent D. Foster  
*Chairman and Chief Executive Officer*

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QuickLinks

[Exhibit 31.1](#)



I, Brent D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2016 of Main Street Capital Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this November 4, 2016.

By: /s/ BRENT D. SMITH

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Brent D. Smith  
*Chief Financial Officer and Treasurer*

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QuickLinks

[Exhibit 31.2](#)

**Certification of Chief Executive Officer  
Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report of Main Street Capital Corporation (the "Registrant") on Form 10-Q for the quarter ended September 30, 2016 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Vincent D. Foster, the Chairman and Chief Executive Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ VINCENT D. FOSTER

\_\_\_\_\_  
Name: Vincent D. Foster  
Date: November 4, 2016

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[Exhibit 32.1](#)

[Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\)](#)

**Certification of Chief Financial Officer  
Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report of Main Street Capital Corporation (the "Registrant") on Form 10-Q for the quarter ended September 30, 2016 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Brent D. Smith, the Chief Financial Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ BRENT D. SMITH

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Name: Brent D. Smith  
Date: November 4, 2016

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[Exhibit 32.2](#)

[Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(18 U.S.C. 1350\)](#)