

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
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)
1300 Post Oak Boulevard, 8th Floor
Houston, TX
(Address of principal executive offices)

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

77056
(Zip Code)

(713) 350-6000

(Registrant's telephone number including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	MAIN	New York Stock Exchange

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2020, was approximately \$1,948.5 million based upon the last sale price for the registrant's common stock on that date.

The number of shares outstanding of the issuer's common stock as of February 26, 2021 was 67,963,233.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrants' definitive Proxy Statement for its 2021 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in this Annual Report on Form 10-K in response to Part III.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements regarding the plans and objectives of management for future operations and which relate to future events or our future performance or financial condition. Any such forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend” or “project” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including, without limitation, the factors discussed in Item 1A entitled “Risk Factors” in Part I of this Annual Report on Form 10-K and elsewhere in this Annual Report on Form 10-K and in other filings we may make with the Securities and Exchange Commission (“SEC”) from time to time. Other factors that could cause actual results to differ materially include changes in the economy and future changes in laws or regulations and conditions in our operating areas.

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

PART I

Item 1. *Business*

ORGANIZATION

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

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

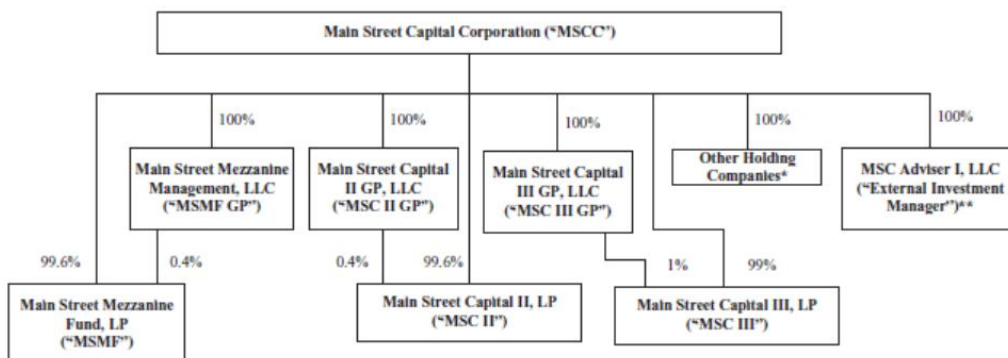
MSC Adviser I, LLC (the “External Investment Manager”) was formed in November 2013 as a wholly owned subsidiary of MSCC to provide investment management and other services to parties other than MSCC and its subsidiaries or their portfolio companies (“External Parties”) and receives fee income for such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

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

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

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

The following diagram depicts our organizational structure:



* Other Holding Companies includes the Taxable Subsidiaries and other entities formed for operational purposes. Each of these companies is directly or indirectly wholly owned by MSCC.

** The External Investment Manager is accounted for as a portfolio investment at fair value, as opposed to a consolidated subsidiary, and is indirectly wholly owned by MSCC.

CORPORATE INFORMATION

Our principal executive offices are located at 1300 Post Oak Boulevard, 8th Floor, Houston, Texas 77056. We maintain a Web site on the Internet at www.mainstreetcapital.com. We make available free of charge on our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Information contained on our Web site is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports and other public filings are also available free of charge on the EDGAR Database on the SEC’s Web site at www.sec.gov.

OVERVIEW OF OUR BUSINESS

Our principal investment objective is to maximize our portfolio’s total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. Our LMM companies generally have annual revenues between \$10 million and \$150 million, and our LMM portfolio investments generally range in size from \$5 million to \$50 million. Our Middle Market investments are made in businesses that are generally larger in size than our LMM portfolio companies, with annual revenues typically between \$150 million and \$1.5 billion, and our Middle Market investments generally range in size from \$3 million to \$20 million. Our private loan (“Private Loan”) portfolio investments are primarily debt securities in privately held companies that 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.

We seek to fill the financing gap for LMM businesses, which, historically, have had 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 or second 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 based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

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

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

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

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

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

defined below). For the years ended December 31, 2020 and 2019, the ratio of our total operating expenses, excluding interest expense, as a percentage of our quarterly average total assets was 1.3% and 1.4%, respectively.

During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, LP (“HMS Adviser”), which was the investment advisor to MSC Income at the time to provide certain investment advisory services to HMS Adviser in exchange for 50% of the 2.0% annual base management fee and 20% incentive fee earned by 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. On October 30, 2020, after successfully receiving the required approval of the stockholders of MSC Income, we completed a transaction whereby the External Investment Manager became the sole investment adviser and administrator to MSC Income pursuant to an Investment Advisory and Administrative Services Agreement (the “Advisory Agreement”). Under the Advisory Agreement, the External Investment Manager earns a 1.75% annual base management fee and a 20% incentive fee in exchange for providing investment advisory services to MSC Income.

In December 2020, the External Investment Manager entered into an Investment Management Agreement with MS Private Loan Fund I, LP, a private investment fund with a strategy to invest in Private Loan portfolio investments (the “Private Loan Fund”), pursuant to which the External Investment Manager provides investment advisory and management services to the Private Loan Fund in exchange for an asset-based fee and certain incentive fees.

The External Investment Manager earns management fees based on the assets of the funds and accounts under management and may earn incentive fees, or a carried interest, based on the performance of the funds and accounts 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 the dividend income earned from the External Investment Manager. For the years ended December 31, 2020, 2019 and 2018, the total contribution of the External Investment Manager to our net investment income was \$9.9 million, \$11.7 million and \$10.6 million, respectively. The External Investment Manager agreed to waive the historical incentive fees otherwise earned through December 31, 2018. During the year ended December 31, 2020, the External Investment Manager earned \$10.7 million in base management fees and no incentive fees compared to \$11.1 million of base management fees and \$2.0 million in incentive fees in 2019 and \$11.6 million of base management fees in 2018 for the investment advisory services provided related to MSC Income.

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 MSC Income and its other clients. Through this agreement, we share employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities, and we allocate the related expenses to the External Investment Manager pursuant to the sharing agreement. Our total expenses for the years ended December 31, 2020, 2019 and 2018 are net of expenses allocated to the External Investment Manager of \$7.4 million, \$6.7 million and \$6.8 million, respectively.

In April 2014, we received an exemptive order from the SEC permitting co-investments by us and MSC Income in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. During December 2020, we received an amended exemptive order from the SEC permitting co-investments by us, MSC Income and other funds advised by the External Investment Manager in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made co-investments with MSC Income and in the future intend to make co-investments with MSC Income, the Private Loan Fund and other funds advised by the External Investment Manager, 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 us and the External Investment Manager’s advised clients, including MSC Income, as applicable, and if it is appropriate, to propose an allocation of the investment opportunity between such parties. Because the External Investment Manager may receive performance-based fee compensation from funds advised by the External Investment Manager, including MSC Income and the Private Loan Fund, this may provide the Company and the External Investment Manager an incentive to allocate opportunities to other participating funds instead of us. However, both we and the External Investment Manager have

policies and procedures in place to manage this conflict, including oversight by the independent members of our Board of Directors.

RECENT DEVELOPMENTS

In January 2021, we issued \$300.0 million in aggregate principal amount of 3.00% unsecured notes due July 14, 2026 (the “3.00% Notes”) at an issue price of 99.004%. The total net proceeds from the offering of the 3.00% Notes, resulting from the public issue price and after underwriting discounts and estimated offering expenses payable, were approximately \$294.8 million.

During February 2021, we declared monthly dividends of \$0.205 per share for each month of April, May and June of 2021. These monthly dividends equal a total of \$0.615 per share for the second quarter of 2021, unchanged from the monthly dividends paid in the second quarter of 2020. Including the monthly dividends declared for the second quarter of 2021, we will have paid \$30.830 per share in cumulative dividends since our October 2007 initial public offering.

BUSINESS STRATEGIES

Our principal investment objective is to maximize our portfolio’s total return by generating current income from our debt investments and capital appreciation from our equity and equity-related investments, including warrants, convertible securities and other rights to acquire equity securities in a portfolio company. We have adopted the following business strategies to achieve our investment objective:

- *Deliver Customized Financing Solutions in the Lower Middle Market.* We offer LMM portfolio companies customized debt and equity financing solutions that are tailored to the facts and circumstances of each situation. We believe our ability to provide a broad range of customized financing solutions to LMM companies sets us apart from other capital providers that focus on providing a limited number of financing solutions. Our ability to invest across a company’s capital structure, from senior secured loans to subordinated debt to equity securities, allows us to offer LMM portfolio companies a comprehensive suite of financing options, or a “one stop” financing solution.
- *Focus on Established Companies.* We generally invest in companies with established market positions, experienced management teams and proven revenue streams. We believe that those companies generally possess better risk-adjusted return profiles than newer companies that are building their management teams or are in the early stages of building a revenue base. We also believe that established companies in our targeted size range also generally provide opportunities for capital appreciation.
- *Leverage the Skills and Experience of Our Investment Team.* Our investment team has significant experience in lending to and investing in LMM and Middle Market companies. The members of our investment team have broad investment backgrounds, with prior experience at private investment funds, investment banks and other financial services companies and currently include seven certified public accountants and two Chartered Financial Analyst® charter holders. The expertise of our investment team in analyzing, valuing, structuring, negotiating and closing transactions should provide us with competitive advantages by allowing us to consider customized financing solutions and non-traditional or complex structures for our portfolio companies. Also, the reputation of our investment team has and should continue to enable us to generate additional revenue in the form of management and incentive fees in connection with us providing advisory services to other investment funds.
- *Invest Across Multiple Companies, Industries, Regions and End Markets.* We seek to maintain a portfolio of investments that is appropriately balanced among various companies, industries, geographic regions and end markets. This portfolio balance is intended to mitigate the potential effects of negative economic events for particular companies, regions, industries and end markets.

- *Capitalize on Strong Transaction Sourcing Network.* Our investment team seeks to leverage its extensive network of referral sources for portfolio company investments. We have developed a reputation in our marketplace as a responsive, efficient and reliable source of financing, which has created a growing stream of proprietary deal flow for us.
- *Grow our Asset Management Business.* Our asset management business provides us with a recurring source of income, additional income diversification from sources of income directly tied to invested capital and the opportunity for greater shareholder returns through the utilization of our existing investment expertise, strong historical track record and favorable reputation. We seek to grow our asset management business within our internally managed BDC structure in order to increase the value of this unique benefit to our stakeholders. We expect such growth to come organically through the expansion of the investment capital that we manage for third parties and the potential extension of our asset management business to new investment strategies, and potentially through mergers and acquisition activities.
- *Benefit from Lower, Fixed, Long-Term Cost of Capital.* The SBIC licenses held by the Funds have allowed them to issue SBA-guaranteed debentures. SBA-guaranteed debentures carry long-term fixed interest rates that are generally lower than interest rates on comparable bank loans and other debt. Because lower-cost SBA leverage is, and will continue to be, a significant part of our capital base through the Funds, our relative cost of debt capital should be lower than many of our competitors. In addition, the SBIC leverage that we receive through the Funds represents a stable, long-term component of our capital structure with proper matching of duration and cost compared to our LMM portfolio investments. We also maintain an investment grade rating from Standard & Poor's Ratings Services which provides us the opportunity and flexibility to obtain additional, attractive long-term financing options to supplement our capital structure, including the unsecured notes with fixed interest rates we issued in 2017, 2019, 2020 and 2021.

INVESTMENT CRITERIA

Our investment team has identified the following investment criteria that it believes are important in evaluating prospective portfolio companies. Our investment team uses these criteria in evaluating investment opportunities. However, not all of these criteria have been, or will be, met in connection with each of our investments:

- *Proven Management Team with Meaningful Equity Stake.* We look for operationally-oriented management with direct industry experience and a successful track record. In addition, we expect the management team of each LMM portfolio company to have meaningful equity ownership in the portfolio company to better align our respective economic interests. We believe management teams with these attributes are more likely to manage the companies in a manner that both protects our debt investment and enhances the value of our equity investment.
- *Established Companies with Positive Cash Flow.* We seek to invest in established companies with sound historical financial performance. We typically focus on LMM companies that have historically generated earnings before interest, taxes, depreciation and amortization ("EBITDA") of \$3 million to \$20 million and commensurate levels of free cash flow. We also pursue investments in debt securities of Middle Market companies that are generally established companies with sound historical financial performance that are generally larger in size than LMM companies. We generally do not invest in start-up companies or companies with speculative business plans.
- *Defensible Competitive Advantages/Favorable Industry Position.* We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help to protect their market position and profitability.
- *Exit Alternatives.* We exit our debt investments primarily through the repayment of our investment from internally generated cash flow of the portfolio company and/or a refinancing. In addition, we seek to invest in companies whose business models and expected future cash flows may provide alternate methods of

repaying our investment, such as through a strategic acquisition by other industry participants or a recapitalization.

INVESTMENT PORTFOLIO

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

Debt Investments

Historically, we have made LMM debt investments principally in the form of single tranche debt. Single tranche debt financing involves issuing one debt security that blends the risk and return profiles of both first lien secured and subordinated debt. We believe that single tranche debt is more appropriate for many LMM companies given their size in order to reduce structural complexity and potential conflicts among creditors.

Our LMM debt investments generally have a term of five to seven years from the original investment date, with limited required amortization prior to maturity, and provide for monthly or quarterly payment of interest at interest rates generally between 10% and 14% per annum, payable currently in cash. Interest rate terms can include either fixed or floating rate terms. In addition, certain LMM debt investments may have a form of interest that is not paid currently but is accrued and added to the loan balance and paid at maturity. We refer to this form of interest as payment-in-kind, or PIK, interest. We typically structure our LMM debt investments with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target. In most cases, our LMM debt investment will be collateralized by a first priority lien on substantially all the assets of the portfolio company. In addition to seeking a senior lien position in the capital structure of our LMM portfolio companies, we seek to limit the downside potential of our LMM debt investments by negotiating covenants that are designed to protect our LMM debt investments while affording our portfolio companies as much flexibility in managing their businesses as is reasonable. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control or change of management provisions, key-man life insurance, guarantees, equity pledges, personal guaranties, where appropriate, and put rights. In addition, we typically seek board representation or observation rights in all of our LMM portfolio companies. Interest rate terms can include either fixed or floating rate terms.

While we will continue to focus our LMM debt investments primarily on single tranche debt investments, we also anticipate structuring some of our debt investments as mezzanine loans. We expect that these mezzanine loans will be primarily junior secured or unsecured, subordinated loans that provide for relatively high interest rates, payable currently in cash, and will provide us with significant interest income. We also anticipate that these mezzanine loans will afford us the additional opportunity for income and gains through PIK interest and equity warrants and other similar equity instruments issued in conjunction with these mezzanine loans. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loan term. Typically, our mezzanine loans will have maturities of three to five years. We will generally target interest rates of 12% to 14%, payable currently in cash, for our mezzanine loan investments with higher targeted total returns from equity warrants or PIK interest.

We also pursue debt investments in Middle Market companies. Our Middle Market portfolio investments primarily consist of direct investments or secondary purchases of interest-bearing debt securities in privately held companies based in the United States that are generally larger in size than the companies included in our LMM portfolio. Our Middle Market portfolio debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have a term of between three and seven years from the original investment date. The debt investments in our Middle Market portfolio have rights and protections that are similar to those in our LMM debt investments, which may include affirmative and negative covenants, default penalties, lien protection, change of control provisions, guarantees and equity pledges. The Middle Market debt investments generally have floating interest rates at the London Interbank Offered Rate (“LIBOR”) plus a margin, and are typically subject to LIBOR floors.

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

Warrants

In connection with our debt investments, we occasionally receive equity warrants to establish or increase our equity interest in the portfolio company. Warrants we receive in connection with a debt investment typically require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We typically structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as secured or unsecured put rights, or rights to sell such securities back to the portfolio company, upon the occurrence of specified events. In certain cases, we also may obtain registration rights in connection with these equity interests, which may include demand and “piggyback” registration rights.

Direct Equity Investments

We also will seek to make direct equity investments in situations where it is appropriate to align our interests with key management and stockholders of our LMM portfolio companies, and to allow for participation in the appreciation in the equity values of our LMM portfolio companies. We usually make our direct equity investments in connection with debt investments in our LMM portfolio companies. In addition, we may have both equity warrants and direct equity positions in some of our LMM portfolio companies. We seek to maintain fully diluted equity positions in our LMM portfolio companies of 5% to 50%, and may have controlling equity interests in some instances. We have a value orientation toward our direct equity investments and have traditionally been able to purchase our equity investments at reasonable valuations.

INVESTMENT PROCESS

Our management team’s investment committee is responsible for all aspects of our investment processes. The current members of our investment committee are Dwayne L. Hyzak, our Chief Executive Officer, David Magdol, our President and Chief Investment Officer, and Vincent D. Foster, our Executive Chairman.

The investment processes for LMM and Middle Market portfolio investments are outlined below. The investment processes for Private Loan portfolio investments, from origination to close and to eventual exit, follow the processes for our LMM portfolio investments or our Middle Market portfolio investments as outlined below, or a combination thereof. Our investment strategy involves a “team” approach, whereby potential transactions are screened by several members of our investment team before being presented to the investment committee. Our investment committee meets on an as-needed basis depending on transaction volume. We generally categorize our investment process into seven distinct stages:

Deal Generation/Origination

Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, service providers such as lawyers, financial advisors and accountants, and current and former portfolio companies and investors. Our investment team has focused its deal generation and origination efforts on LMM and Middle Market companies, and we have developed a reputation as a knowledgeable, reliable and active source of capital and assistance in these markets.

Screening

During the screening process, if a transaction initially meets our investment criteria, we will perform preliminary due diligence, taking into consideration some or all of the following information:

- a comprehensive financial model based on quantitative analysis of historical financial performance, projections and pro forma adjustments to determine the estimated internal rate of return;
- a brief industry and market analysis;
- direct industry expertise imported from other portfolio companies or investors;
- preliminary qualitative analysis of the management team's competencies and backgrounds;
- potential investment structures and pricing terms; and
- regulatory compliance.

Upon successful screening of a proposed LMM transaction, the investment team makes a recommendation to our investment committee. If our investment committee concurs with moving forward on the proposed LMM transaction, we typically issue a non-binding term sheet to the company. For Middle Market portfolio investments, the initial term sheet is typically issued by the borrower, through the syndicating bank, and is screened by the investment team which makes a recommendation to our investment committee.

Term Sheet

For proposed LMM transactions, the non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process, as well as a proposed timeline and our qualitative expectation for the transaction. While the term sheet for LMM investments is non-binding, we typically receive an expense deposit in order to move the transaction to the due diligence phase. Upon execution of a term sheet, we begin our formal due diligence process.

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

Due Diligence

Due diligence on a proposed LMM investment is performed by a minimum of three of our investment professionals, whom we refer to collectively as the investment team, and certain external resources, who together conduct due diligence to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Our LMM due diligence review includes some or all of the following:

- site visits with management and key personnel;

- detailed review of historical and projected financial statements;
- operational reviews and analysis;
- interviews with customers and suppliers;
- detailed evaluation of company management, including background checks;
- review of material contracts;
- in-depth industry, market and strategy analysis;
- regulatory compliance analysis; and
- review by legal, environmental or other consultants, if applicable.

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

- detailed review of historical and projected financial statements;
- in-depth industry, market, operational and strategy analysis;
- regulatory compliance analysis; and
- detailed review of the company's management team and their capabilities.

During the due diligence process, significant attention is given to sensitivity analyses and how the company might be expected to perform given downside, base-case and upside scenarios. In certain cases, we may decide not to make an investment based on the results of the diligence process.

Document and Close

Upon completion of a satisfactory due diligence review of a proposed LMM portfolio investment, the investment team presents the findings and a recommendation to our investment committee. The presentation contains information which can include, but is not limited to, the following:

- company history and overview;
- transaction overview, history and rationale, including an analysis of transaction strengths and risks;
- analysis of key customers and suppliers and key contracts;
- a working capital analysis;
- an analysis of the company's business strategy;
- a management and key equity investor background check and assessment;

- third-party accounting, legal, environmental or other due diligence findings;
- investment structure and expected returns;
- anticipated sources of repayment and potential exit strategies;
- pro forma capitalization and ownership;
- an analysis of historical financial results and key financial ratios;
- sensitivities to management's financial projections;
- regulatory compliance analysis findings; and
- detailed reconciliations of historical to pro forma results.

Upon completion of a satisfactory due diligence review of a proposed Middle Market portfolio investment, the investment team presents the findings and a recommendation to our investment committee. The presentation contains information which can include, but is not limited to, the following:

- company history and overview;
- transaction overview, history and rationale, including an analysis of transaction strengths and risks;
- analysis of key customers and suppliers;
- an analysis of the company's business strategy;
- investment structure and expected returns;
- anticipated sources of repayment and potential exit strategies;
- pro forma capitalization and ownership;
- regulatory compliance analysis findings; and
- an analysis of historical financial results and key financial ratios.

If any adjustments to the transaction terms or structures are proposed by the investment committee, such changes are made and applicable analyses are updated prior to approval of the transaction. Approval for the transaction must be made by the affirmative vote from a majority of the members of the investment committee, with the committee member managing the transaction, if any, abstaining from the vote. Upon receipt of transaction approval, the investment team will re-confirm regulatory compliance, process and finalize all required legal documents, and fund the investment.

Post-Investment

We continuously monitor the status and progress of the portfolio companies. We generally offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same investment team that was involved in the investment process will continue its involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes.

As part of the monitoring process of LMM portfolio investments, the investment team will analyze monthly and quarterly financial statements versus the previous periods and year, review financial projections, meet and discuss issues or opportunities with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course operations of our LMM portfolio companies, we maintain a higher level of involvement in non-ordinary course financing or strategic activities and any non-performing scenarios. We also monitor the performance of our Middle Market portfolio investments; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to our LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

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

Exit Strategies/Refinancing

While we generally exit most investments through the refinancing or repayment of our debt and redemption or sale of our equity positions, we typically assist our LMM portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of the exit strategy. The refinancing or repayment of Middle Market debt investments typically does not require our assistance due to the additional resources available to these larger, Middle Market companies.

DETERMINATION OF NET ASSET VALUE AND INVESTMENT PORTFOLIO VALUATION PROCESS

We determine the net asset value per share of our common stock on a quarterly basis. The net asset value per share is equal to our total assets minus total liabilities divided by the total number of shares of common stock outstanding.

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

We determine in good faith the fair value of our Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policies and processes are intended to provide a consistent basis for determining the fair value of our Investment Portfolio. See "Note B.1. — Valuation of the Investment Portfolio" in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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

As described below, we undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. In addition, the Audit Committee of our Board of Directors periodically evaluates the performance and methodologies of the financial advisory services firm that we consult in connection with valuing our LMM and Private Loan portfolio company investments.

- Our quarterly valuation process begins with each LMM and Private Loan portfolio company investment being initially valued by the investment team responsible for monitoring the portfolio investment;
- The fair value determination for our Middle Market and Other Portfolio debt and equity investments and our investment in the External Investment Manager consists of unobservable and observable inputs which are initially reviewed by the investment professionals responsible for monitoring the portfolio investment;
- Preliminary valuation conclusions are then reviewed by and discussed with senior management, and the investment team considers and assesses, as appropriate, any changes that may be required to the preliminary valuations to address any comments provided by senior management;
- A nationally recognized independent financial advisory services firm analyzes and provides observations, recommendations and an assurance certification regarding the determinations of the fair value for our LMM and Private Loan portfolio companies;
- The Audit Committee of our Board of Directors reviews management's valuations, and the investment team and senior management consider and assess, as appropriate, any changes that may be required to management's valuations to address any comments provided by the Audit Committee; and
- The Board of Directors assesses the valuations and ultimately approves the fair value of each investment in our portfolio in good faith.

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

COMPETITION

We compete for investments with a number of investment funds (including private equity funds, mezzanine funds, BDCs, and SBICs), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of the entities that compete with us are larger and have more resources available to them. We believe we are able to be competitive with these entities primarily on the basis of our focus toward the underserved LMM, the experience and contacts of our management team, our responsive and efficient investment analysis and decision-making processes, our comprehensive suite of customized financing solutions and the investment terms we offer.

We believe that some of our competitors make senior secured loans, junior secured loans and subordinated debt investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete primarily on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors — Risks Relating to Our Business and Structure — We face increasing competition for investment opportunities."

HUMAN CAPITAL

Our employees are vital to our success as a principal investment firm. As a human-capital intensive business, the long-term success of our company depends on our people. We strive to attract, develop and retain our employees by

offering unique employment opportunities, superior advancement and promotion opportunities, attractive compensation and benefit structures and a close-knit culture. The departure of our key investment and other personnel could cause our operating results to suffer.

Our LMM business segment depends heavily on the business owners and management teams of our portfolio companies and their respective employees, contractors and service providers. In our investment process for LMM portfolio investments, the analysis of these individuals is a critical part of our overall investment underwriting process and as a result we carefully review the qualifications and experience of the portfolio company's business owners and management team and their employment practices. We strive to partner with business owners and management teams whose business practices reflect our core values.

We strive to recruit talented and driven individuals who share our values. We have competitive programs dedicated to attracting and retaining new talent and enhancing the skills of our employees. Our recruiting efforts utilize strong relationships with a variety of sources from which we recruit. Among other opportunities, we offer selected students investment analyst internships, which are expected to lead to permanent roles for high performing and high potential interns. Through our internship program, individuals who want to become investment analysts have the opportunity to see the full investment process from origination to closing, as well as post-closing portfolio management activities. We routinely recruit from within, promoting current employees who have shown the technical ability, attitude, interest and the initiative to take on greater responsibility.

We have designed a compensation structure, including an array of benefit plans and programs, that we believe is attractive to our current and prospective employees. We also offer formal and informal training and mentorship programs that provide employees with access to senior level executives. Through our annual goal setting and performance review processes, our employees are annually evaluated by supervisors and our senior management team to ensure employees continue to develop and advance as expected. We are committed to having a diverse workforce, and an inclusive work environment is a natural extension of our culture. We also maintain a Women's Initiative that provides employees with opportunities to network internally at MSCC and externally with other women in the financial services industry. Our employees have access to several programs designed to enable our employees to balance work, family and family-related situations including flexible working arrangements and parental leave for birth and adoption placement. We are committed to creating and maintaining an atmosphere where all employees feel welcomed, valued, respected and heard so that they feel motivated and encouraged to contribute fully to their careers, our company and our communities.

We seek to maintain a close-knit culture, which we believe is an important factor in employee retention, which is reinforced by our Community Building Committee. Our Community Building Committee, which is composed of a substantial cross section of employees across our organization, develops programs and initiatives that promote an open and inclusive atmosphere and encourage employee outreach with our community, in each case based upon feedback received from our employees. Recent initiatives generated by our Community Building Committee include a volunteer time-off program, a matching donation policy and partnerships with local charitable organizations. We encourage you to visit our website for more information about charitable organizations receiving our ongoing support. Nothing on our website, however, shall be deemed incorporated by reference into this Annual Report on Form 10-K.

We monitor and evaluate various turnover and attrition metrics throughout our management team. Our annualized voluntary turnover is relatively low, a record which we attribute to our strong corporate culture, commitment to career development and attractive compensation and benefit programs.

In addition to our normal prioritization of the health and safety of our employees, during 2020, to address the specific safety and health matters of our workforce in response to the COVID-19 pandemic, we implemented the following, among other steps:

- Temporarily closing our offices and establishing new safety protocols and procedures;
- Maintaining regular communication regarding the impacts of the pandemic on our team members and operations;

- Developing and distributing return-to-office guidelines to ensure the safe return of employees to our office;
- Providing daily temperature checks and symptom screening and requiring those who are infected or exposed to the virus to quarantine in accordance with public health guidelines;
- Enhanced cleaning protocols;
- Establishing physical distancing procedures, modifying workspaces, and providing personal protective equipment and cleaning supplies for employees working onsite; and
- Creating and refining protocols to address actual and suspected COVID-19 cases and potential exposure of our employees and our business partners.

As of December 31, 2020, we had approximately 76 employees, 48 of whom we characterize as investment and portfolio management professionals, and the others include operations professionals and administrative staff. None of our employees are represented by a collective bargaining agreement. As necessary, we will hire additional investment professionals and administrative personnel. All of our employees are located in our Houston, Texas office.

REGULATION

Regulation as a Business Development Company

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

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

Qualifying Assets

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

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company (as defined below), or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC.
- (2) Securities of any eligible portfolio company that we control.
- (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

- (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

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

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

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

Managerial Assistance to Portfolio Companies

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

Temporary Investments

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

Senior Securities

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% of all debt and/or senior stock immediately

after each such issuance. However, 2018 legislation modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. We are permitted to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when quorum is met, approve a proposal to do so. If we receive such stockholder approval, we would be permitted to increase our leverage capacity on the first day after such approval. Alternatively, we may increase the maximum amount of leverage we may incur to an asset coverage ratio of 150% if the “required majority” of our independent directors as defined in Section 57(o) of the 1940 Act approve such increase with such approval becoming effective after one year. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage. In addition, while any senior securities remain outstanding (other than senior securities representing indebtedness issued in consideration of a privately arranged loan which is not intended to be publicly distributed), we must make provisions to prohibit any cash distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors — Risks Relating to Our Debt Financing,” including, without limitation, “— Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.”

We have previously received an exemptive order from the SEC to exclude debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to Main Street. The exemptive order provides for the exclusion of all debt securities issued by the Funds, including the \$309.8 million of outstanding debt as of December 31, 2020, issued pursuant to the SBIC program. This exemptive order provides us with expanded capacity and flexibility in obtaining future sources of capital for our investment and operational objectives.

Common Stock

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our Board of Directors determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our Board of Directors, closely approximates the market value of such securities (less any distributing commission or discount). We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2020 annual meeting of stockholders because our common stock price had been trading significantly above the net asset value per share of our common stock since 2011. Our stockholders have previously approved a proposal that authorizes us to issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. See “Risk Factors — Risks Relating to Our Securities — Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.”

Code of Ethics

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements. The code of ethics is available on the EDGAR Database on the SEC’s Web site at <http://www.sec.gov>.

Proxy Voting Policies and Procedures

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

Our proxy voting decisions are made by the investment team which is responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, we require that anyone involved in the decision-making process discloses to our chief compliance officer any potential conflict regarding a proxy vote of which he or she is aware.

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

Other 1940 Act Regulations

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

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

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures no less frequently than annually for their adequacy and the effectiveness of their implementation, and to designate a chief compliance officer to be responsible for administering the policies and procedures.

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

Small Business Investment Company Regulations

Each of the Funds is licensed by the SBA to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958. MSMF obtained its SBIC license in 2002, MSC II obtained its license in 2006 and MSC III obtained its license in 2016.

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

The Funds are subject to regulation and oversight by the SBA, including requirements with respect to reporting financial information, such as the extent of capital impairment if applicable, on a regular basis and annual examinations conducted by the SBA. The SBA, as a creditor, will have a superior claim to the Funds' assets over our securities holders in the event the Funds are liquidated or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the Funds upon an event of default.

We have received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of the Funds from our 200% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to

outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage. See “Risk Factors — Risks Relating to Our Debt Financing — Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.”

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

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

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Included in such limitations are SBIC regulations which allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA’s prior written approval.

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

The SBIC licenses allow the Funds to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and certain approvals by the SBA and customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under applicable regulations, an SBIC may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately raised funds of the SBIC. Debentures guaranteed by the SBA have a maturity of ten years, require semiannual payments of interest, do not require any principal payments prior to maturity, and are not subject to prepayment penalties. As of December 31, 2020, we, through the Funds, had \$309.8 million of outstanding SBA-guaranteed debentures, which had an annual weighted-average interest rate of approximately 3.4%.

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

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

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

Securities Exchange Act of 1934 and Sarbanes-Oxley Act Compliance

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

- pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the consolidated financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, and our independent registered public accounting firm separately audits our internal control over financial reporting; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The New York Stock Exchange Corporate Governance Regulations

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

Investment Adviser Regulations

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

Taxation as a Regulated Investment Company

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

“Annual Distribution Requirement”). As part of maintaining RIC status, undistributed taxable income (subject to a 4% non-deductible U.S. federal excise tax) pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (i) filing of the U.S. federal income tax return for the applicable fiscal year or (ii) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

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

We are subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary taxable income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending December 31 in that calendar year and (3) any taxable income recognized, but not distributed, in preceding years on which we paid no U.S. federal income tax (the “Excise Tax Avoidance Requirement”). Dividends declared and paid by us in a year will generally differ from taxable income for that year as such dividends may include the distribution of current year taxable income, exclude amounts carried over into the following year, and include the distribution of prior year taxable income carried over into and distributed in the current year. For amounts we carry over into the following year, we will be required to pay the 4% U.S. federal excise tax on the excess of 98% of our annual investment company taxable income and 98.2% of our capital gain net income over our distributions for the year.

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

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain “qualified publicly traded partnerships,” or other income derived with respect to our business of investing in such stock or securities (the “90% Income Test”); and
- diversify our holdings so that at the end of each quarter of the taxable year:
 - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
 - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain “qualified publicly traded partnerships” (collectively, the “Diversification Tests”).

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

their ownership of the portfolio investments. The income tax expense, or benefit, if any, and any related tax assets and liabilities, are reflected in our consolidated financial statements.

The External Investment Manager is accounted for as a portfolio investment for U.S. GAAP purposes and is an indirect wholly owned subsidiary of MSCC, owned through a Taxable Subsidiary. The External Investment Manager is owned by a Taxable Subsidiary in order to comply with the 90% Income Test, since the External Investment Manager's income would likely not consist of income derived from securities, such as dividends and interest, and as result, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant U.S. federal income taxes. As a result of its ownership by a Taxable Subsidiary, the External Investment Manager is a disregarded entity for tax purposes. The External Investment Manager has also entered into a tax sharing agreement with its Taxable Subsidiary owner. Since the External Investment Manager 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, and as a result of the tax sharing agreement with its Taxable Subsidiary owner, for its stand-alone financial reporting purposes the External Investment Manager is treated as if it 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 income tax expense, or benefit, if any, and the related tax assets and liabilities, of the External Investment Manager are reflected in the External Investment Manager's separate financial statements.

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

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders in certain circumstances while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation — Regulation as a Business Development Company — Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

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

at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Failure to Qualify as a RIC

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

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

Item 1A. Risk Factors

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

SUMMARY OF RISK FACTORS

The following is a summary of the principal risk factors associated with an investment in our securities. Further details regarding each risk included in the below summary list can be found further below.

Risks Relating to Economic Conditions

- Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of operations.

Risks Relating to our Business and Structure

- Our Investment Portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.
- Our financial condition and results of operations depends on our ability to effectively manage and deploy capital.
- We face increasing competition for investment opportunities.
- We are dependent upon our key investment personnel for our future success.

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

Risks Relating to our Investment Management Activities

- Our executive officers and employees, through the External Investment Manager, may manage other investment funds, including MSC Income, that operate in the same or a related line of business as we do, and may invest in such funds, which may result in significant conflicts of interest.
- We, through the External Investment Manager, derive revenues from managing third party funds pursuant to management agreements that may be terminated pursuant to the terms of such agreements or requirements under the 1940 Act.

Risks Related to BDCs and SBICs

- Operating under the constraints imposed on us as a BDC and RIC may hinder the achievement of our investment objectives.
- Regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital.
- The Funds are licensed by the SBA, and therefore subject to SBIC regulations.

Risks Related to our Investments

- Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment.
- The lack of liquidity in our investments may adversely affect our business.
- Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.
- There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.
- Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.
- Changes relating to the LIBOR calculation process, the phase-out of LIBOR and the use of replacement rates for LIBOR may adversely affect the value of our portfolio securities.
- Changes in interest rates may affect our cost of capital, net investment income and value of our investments.

Risks Related to Our Debt Financing

- Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us.
- All of our assets are subject to security interests under our secured Credit Facility or subject to a superior claim over our stockholders by the SBA and if we default on our obligations under the Credit Facility or with respect to our SBA guaranteed debentures or under the Notes, we may suffer adverse consequences, including foreclosure on our assets.

Risks Relating to our Securities

- Investing in our securities may involve a high degree of risk.
- Shares of closed end investment companies, including BDCs, may trade at a discount to their net asset value.
- The market price of our securities may be volatile and fluctuate significantly.
- Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock.
- Provisions of the Maryland General Corporation Law and our articles of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.
- The Notes are unsecured and therefore effectively subordinated to any current or future secured indebtedness, including indebtedness under the Credit Facility.
- The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.
- The indentures under which the Notes were issued contain limited protection for holders of the Notes.
- If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Federal Income Tax Risks

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

- We may have difficulty paying the distributions required to maintain RIC tax treatment under the Code if we recognize income before or without receiving cash representing such income.
- Because we intend to distribute substantially all of our taxable income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth, and regulations governing our operation as a BDC will affect our ability to, and the way in which we, raise additional capital and make distributions.

RISKS RELATING TO ECONOMIC CONDITIONS

Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of operations.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected, and could continue to adversely affect, operating results for us and for our portfolio companies. For example, the COVID-19 pandemic has led to, and for an unknown period of time will continue to lead to, disruptions in local, regional, national and global markets and economies affected thereby, including the United States. With respect to U.S. and global credit markets and the economy in general, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following (among other things): (i) restrictions on travel and the temporary closure of many corporate offices, retail stores and manufacturing facilities and factories, resulting in significant disruption to the business of many companies, including supply chains and demand, as well as layoffs of employees; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments or waivers of their credit agreements to avoid default, increased defaults by borrowers and/or increased difficulty in obtaining refinancing; (iv) volatility in credit markets, including greater volatility in pricing and spreads; and (v) evolving proposals and actions by state and federal governments to address the problems being experienced by markets, businesses and the economy in general, which may not adequately address the problems being faced. The pandemic is having, and any future continuation of the pandemic could have, an adverse impact on the markets and the economy in general.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us and our portfolio companies and investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact us and our portfolio companies; in many instances the impact will be adverse and material. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of the COVID-19 pandemic and the actions taken by authorities and other entities to contain the spread or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results and financial condition.

The COVID-19 pandemic and the related disruption and financial distress experienced by our portfolio companies may have material adverse effects on our financial results, including investment income received from our investments and the underlying value of those investments. We may need to restructure our investments in certain portfolio companies as a result of the adverse effects of the COVID-19 pandemic, which could reduce the amount or extend the time for payment of principal or the life of our investment or reduce the amount or extend the time of payment of interest or dividends, among other things. In addition, if an investment included in the borrowing base for our multi-year revolving, secured credit facility (the "Credit Facility") is deemed to have a material impairment or loss, or if we modify the terms of an investment included in the borrowing base for the Credit Facility, it may reduce the value of the borrowing base, which may have a material adverse effect on our available liquidity, results of operations and financial condition. In addition, any decreases in our net investment income would impact the portion of our cash flows dedicated to servicing existing borrowings under the Credit Facility, any unsecured notes or other debt we have outstanding and funding the dividends paid to our stockholders. Depending on the duration of the COVID-19 pandemic and the extent of its effects on our portfolio companies' operations and our operating results, any future dividends to our stockholders may be for amounts less than our historical dividends, may be paid less frequently than historical practices and may also include return of capital.

The 1940 Act generally prohibits us, as a BDC, from incurring indebtedness unless immediately after such borrowing we have an asset coverage, as defined in the 1940 Act, of at least 200% (or 150% if certain requirements are met). In addition, the Credit Facility and the indentures governing our outstanding unsecured notes contain similar limitations or covenants requiring our compliance with the 1940 Act asset coverage requirements, and the Credit Facility also contains other affirmative and negative covenants. A continued significant decrease in the value of our Investment Portfolio, resulting in significant reductions of our net asset value as a result of the effects of the COVID-19 pandemic or otherwise increases the risk of us not meeting the required asset coverage requirement under the 1940 Act or breaching covenants under the Credit Facility or under the indentures governing our outstanding unsecured notes. Any such result could have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay dividends to our stockholders and attributes thereof.

We are currently operating in a period of capital markets disruption and economic uncertainty. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the United States, which could have a materially negative impact on our business, financial condition and results of operations.

The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID-19 that began in December 2019. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. Additionally, the impact of potential downgrades by rating agencies to the U.S. government's sovereign credit rating or its perceived creditworthiness, as well as potential government shutdowns could adversely affect the U.S. and global financial markets and economic conditions. Since 2010, several European Union, or EU, countries have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets. The decision made in the United Kingdom referendum to leave the EU (the so-called "Brexit") has led to volatility in global financial markets and may lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe. While the United Kingdom commenced its withdrawal from the EU, the transition and its surrounding negotiations are ongoing, which creates uncertainty, which may lead to continued volatility. Additionally, trade wars and volatility in the U.S. repo market, the U.S. high yield bond markets, the Chinese stock markets and global markets for commodities may affect other financial markets worldwide. In addition, while recent government stimulus measures worldwide have reduced volatility in the financial markets, volatility may return as such measures are phased out, and the long-term impacts of such stimulus on fiscal policy and inflation remain unknown.

These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We monitor developments in economic, political and market conditions and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

RISKS RELATING TO OUR BUSINESS AND STRUCTURE

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

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our determination of fair value and our valuation procedures. Typically, there is not a public market for the securities of the privately held LMM or Private Loan companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value based

on inputs from management, a nationally recognized independent financial advisory services firm (on a rotational basis) and the Audit Committee of our Board of Directors with the oversight, review and approval of our Board of Directors. In addition, the market for investments in Middle Market companies is generally not a liquid market, and therefore, we primarily use a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs, which are reviewed by the Audit Committee with the oversight, review and approval of our Board of Directors. See “Note B.1. — Valuation of the Investment Portfolio” in the notes to consolidated financial statements for a more detailed description of our investment portfolio valuation process and procedures.

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

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

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

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

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

We face increasing competition for investment opportunities.

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

significant part of our competitive advantage stems from the fact that the market for investments in LMM companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

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

We depend on the members of our investment team, particularly Dwayne L. Hyzak, David L. Magdol, Vincent D. Foster, Jesse E. Morris, K. Colton Braud, III, Damian T. Burke, Nicholas T. Meserve and Samuel A. Cashiola, for the identification, review, final selection, structuring, closing and monitoring of our investments. These employees have significant investment expertise and relationships that we rely on to implement our business plan. Although we have entered into non-compete arrangements with all of our executive officers and other key employees, we cannot guarantee that any employees will remain employed with us. If we lose the services of the individuals mentioned above, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

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

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

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

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

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

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

Delays in investing the net proceeds raised in an offering or other capital raised or proceeds resulting from exiting an investment may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of any offering or other capital raised or proceeds resulting from exiting an investment on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions and the amount of the capital, it may take us a substantial period of time to invest substantially all the capital in securities meeting our investment objective. During this period, we may invest the capital primarily in marketable securities and idle funds investments, which 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 and may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. Most of the debt investments that meet our investment criteria are, or would be if rated, below investment grade quality. Indebtedness of below investment grade quality, which is often referred to as “junk,” is regarded as having predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. As a result, any distributions that we pay during such period may be substantially lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds of any offering or from exiting an investment or other capital are invested in new securities meeting our investment objective, the market price for our securities may decline. Thus, the initial return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

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

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

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

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

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

We are subject to risks related to corporate social responsibility.

Our business faces increasing public scrutiny related to environmental, social and governance (“ESG”) activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. Adverse incidents with respect to ESG activities could impact the

value of our brand, the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business.

RISKS RELATED TO OUR INVESTMENT MANAGEMENT ACTIVITIES

Our executive officers and employees, through the External Investment Manager, may manage other investment funds, including MSC Income, that operate in the same or a related line of business as we do, and may invest in such funds, which may result in significant conflicts of interest.

Our executive officers and employees, through the External Investment Manager, may manage other investment funds that operate in the same or a related line of business as we do, and which funds may be invested in by us and/or our executive officers and employees, including the Private Loan Fund. Accordingly, they may have obligations to, or pecuniary interests in, such other entities, and the fulfillment of such obligations may not be in the best interests of us or our stockholders and may create conflicts of interest. During May 2012, we entered into an investment sub-advisory agreement with HMS Adviser, to provide certain investment advisory services to HMS Adviser in connection with its role as investment adviser to MSC Income (then HMS Income Fund, Inc.) in exchange for 50% of the 2.0% base management fee and 20% incentive fee earned by 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. On October 30, 2020, after successfully receiving the required approval of the stockholders of MSC Income, we completed a transaction whereby the External Investment Manager became the sole investment adviser and administrator to MSC Income pursuant to the Advisory Agreement. Under the Advisory Agreement, the External Investment Manager earns a 1.75% base management fee and a 20% incentive fee in exchange for providing investment advisory services to MSC Income.

The investment advisory relationship requires us to commit resources to achieving MSC Income's investment objective, while such resources would otherwise be solely devoted to achieving our investment objective. Our investment objective and investment strategies are very similar to those of MSC Income and it is likely that an investment appropriate for us or MSC Income would be appropriate for the other entity. As a result, we and MSC Income requested an exemptive order from the SEC permitting co-investments by us and MSC Income in certain negotiated transactions where our co-investing would otherwise be prohibited under the 1940 Act. The SEC granted the exemptive order in April 2014, and in December 2020, we received an amended exemptive order from the SEC permitting co-investments by us, MSC Income and other funds advised by the External Investment Manager in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. We have made co-investments with MSC Income and in the future intend to make co-investments with MSC Income, the Private Loan Fund and other funds advised by the External Investment Manager 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 us and the External Investment Manager's advised clients, including MSC Income, as applicable, and if it is appropriate, to propose an allocation of the investment opportunity between such parties. As a consequence, it may be more difficult for us to maintain or increase the size of our Investment Portfolio in the future. Although we will endeavor to allocate investment opportunities in a fair and equitable manner, including in accordance with the conditions set forth in the exemptive order issued by the SEC when relying on such order, we may face conflicts in allocating investment opportunities between us and other funds and accounts managed by the External Investment Manager, including MSC Income and the Private Loan Fund. Because the External Investment Manager may receive performance-based fee compensation from MSC Income and any other funds and accounts it manages, this may provide the Company and the External Investment Manager an incentive to allocate opportunities to MSC Income and any other funds and accounts the External Investment Manager manages, including the Private Loan Fund, instead of us. We and the External Investment Manager have implemented an allocation policy to ensure the equitable distribution of investment opportunities and, as a result, may be unable to participate in certain investments based upon such allocation policy.

We, through the External Investment Manager, derive revenues from managing third-party funds pursuant to management agreements that may be terminated pursuant to the terms of such agreements or requirements under the 1940 Act.

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, including MSC Income and the Private Loan Fund. The terms of fund investment management agreements generally give the manager of the fund and the fund itself the right to terminate the management agreement in certain circumstances. With respect to funds that are not exempt from regulation under the 1940 Act, the fund's investment management agreement must be approved annually by (a) such fund's board of directors or by the vote of a majority of such fund's stockholders and (b) the majority of the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. The funds' investment management agreements can also be terminated by the majority of such fund's stockholders. Termination of any such management agreements would reduce the fees we earn from the relevant funds through the External Investment Manager, which could have a material adverse effect on our results of operations. Currently, MSC Income, an investment company that has elected to be regulated as a BDC under the 1940 Act, is subject to these provisions of the 1940 Act.

RISKS RELATED TO BDCs and SBICs

Failure to comply with applicable laws or regulations and changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We, the Funds, and our portfolio companies are subject to applicable local, state and federal laws and regulations. Failure to comply with any applicable local, state or federal law or regulation could negatively impact our reputation and our business results. New legislation may also be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In addition, any change to the SBA's current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage through the Funds, and therefore, our ability to compete with other finance companies.

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

Failure to maintain our status as a BDC would reduce our operating flexibility.

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

Operating under the constraints imposed on us as a BDC and RIC may hinder the achievement of our investment objectives.

The 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to certain of the other investment vehicles managed by the External Investment Manager. BDCs are required, for example, to invest at least 70% of their total assets in certain qualifying assets, including U.S. private or thinly-traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Moreover, qualification for taxation as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. Operating under these constraints may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective. Any failure to do so could subject us to enforcement action by the SEC, cause us to fail to satisfy the requirements associated with RIC

status and subject us to entity-level corporate income taxation, cause us to fail the 70% test described above or otherwise have a material adverse effect on our business, financial condition or results of operations.

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

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

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

- Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements are met) immediately after each issuance of senior securities. We have received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of the Funds from our asset coverage test under the 1940 Act. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we will be prohibited from issuing debt securities or preferred stock and/or borrowing money from banks or other financial institutions and may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.
- Any amounts that we use to service our debt or make payments on preferred stock will not be available for dividends to our common stockholders.
- It is likely that any senior securities or other indebtedness we issue will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.
- We and, indirectly, our stockholders will bear the cost of issuing and servicing such securities and other indebtedness.
- Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock.
- Any unsecured debt issued by us would generally rank (i) *pari passu* with our current and future unsecured indebtedness and effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, and (ii) structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the SBA-guaranteed debentures issued by the Funds.

Additional Common Stock. The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below current net asset value per share provided that our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2020 annual meeting of stockholders because our common stock price had been trading significantly above the net asset value per share of our common stock since 2011. We may, however, sell our common stock, warrants, options or rights to acquire our common stock, at a price below the current net asset value of the common stock if our Board of Directors determines that such sale is in the best interests of our stockholders, and our stockholders approve such sale. See “Risk Factors – Risks Relating to our Securities — Stockholders may incur dilution if

we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock” for a discussion of the risks related to us issuing shares of our common stock below net asset value. Our stockholders have authorized us to issue warrants, options or rights to subscribe for, convert to, or purchase shares of our common stock at a price per share below the net asset value per share, subject to the applicable requirements of the 1940 Act. There is no expiration date on our ability to issue such warrants, options, rights or convertible securities based on this stockholder approval. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

Previously enacted legislation may allow us to incur additional leverage.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, legislation passed in March 2018 modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur by lowering the required asset coverage ratio of 200% to an asset coverage ratio of 150% (i.e., the amount of debt may not exceed $66\frac{2}{3}\%$ of the value of our assets), if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is met, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows a “required majority” (as defined in Section 57(o) of the 1940 Act) of the members of our Board of Directors to approve an increase in our leverage capacity, and such approval would become effective after one year from the date of approval. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage. As a result of this legislation, we may be able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. See “Risk Factors — Risks Relating to Our Debt Financing — Because we borrow money, the potential for gain or loss on amounts invested in us is magnified and may increase the risk of investing in us” for a discussion of the risks associated with leverage.

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

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

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

RISKS RELATED TO OUR INVESTMENTS

Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment.

Investing in our portfolio companies exposes us indirectly to a number of significant risks. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;
- may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation, termination or significant under-performance of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- generally have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

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

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

- original issue discount and PIK instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;
- for accounting purposes, cash distributions to investors representing original issue discount income are not derived from paid in capital, although they may be effectively paid from any offering proceeds during any given period; thus, although the source for the cash used to pay a distribution of original issue discount income may come from the cash invested by investors, the 1940 Act does not require that investors be given notice of this fact;

- original issue discount and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and
- original issue discount and PIK instruments may represent a higher credit risk than coupon loans; even if the conditions for income accrual under generally accepted accounting principles in the United States of America are satisfied, a borrower could still default when actual payment is due upon the maturity of such loan.

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

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

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

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

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

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

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

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has

actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

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

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

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

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Under the 1940 Act, a "diversified" investment company is required to invest at least 75% of the value of its total assets in cash and cash items, government securities, securities of other investment companies and other securities limited in respect of any one issuer to an amount not greater than 5% of the value of the total assets of such company and no more than 10% of the outstanding voting securities of such issuer. As a non-diversified investment company, we are not subject to this requirement. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies. See "Risk Factors — Federal Income Tax Risks — We will be subject to corporate-level U.S. federal income tax if we are unable to qualify as a RIC under Subchapter M of the Code."

We generally will not control our portfolio companies.

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

Defaults by our portfolio companies will harm our operating results.

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

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

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

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

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

Changes relating to the LIBOR calculation process, the phase-out of LIBOR and the use of replacement rates for LIBOR may adversely affect the value of our portfolio securities.

LIBOR is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in floating rate loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR and we use LIBOR as a reference rate in connection with our Credit Facility. The terms of our debt investments generally include minimum interest rate floors which are calculated based on LIBOR.

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. Although, on November 30, 2020, Intercontinental Exchange, Inc.

(“ICE”) announced that it will consider extending the LIBOR transition deadline to June 30, 2023, U.S. regulators continue to urge financial institutions to stop entering into new LIBOR transactions by the end of 2021. As such, the potential effect of a LIBOR phase out on our net investment income cannot yet be determined. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-based repurchase transactions. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is not possible to predict whether SOFR will attain market traction as a LIBOR replacement tool or the effect of any such changes as the establishment of alternative reference rates or other reforms to LIBOR may be enacted in the United States, United Kingdom or elsewhere. If LIBOR ceases to exist, we may need to renegotiate the credit agreements with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established, which may have an adverse effect on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked securities, loans and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition, tax position and results of operations.

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

Some of our debt investments will bear interest at variable rates and may be negatively affected by changes in market interest rates. An increase in market interest rates would increase the interest costs and reduce the cash flows of our portfolio companies that have variable rate debt instruments, a situation which could reduce the value of the investment. The value of our securities could also be reduced from an increase in market interest rates as rates available to investors could make an investment in our securities less attractive than alternative investments. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Conversely, decreases in market interest rates could negatively impact the interest income from our variable rate debt investments. A decrease in market interest rates may also have an adverse impact on our returns by requiring us to accept lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates. See further discussion and analysis at “Item 7A. Quantitative and Qualitative Disclosures about Market Risk”.

We may not realize gains from our equity investments.

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

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

Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in securities of U.S.

companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

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

RISKS RELATING TO OUR DEBT FINANCING

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

Borrowings, also known as leverage, magnify the potential for loss on investments in our indebtedness and gain or loss on investments in our equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. We, through the Funds, issue debt securities guaranteed by the SBA and sold in the capital markets. As a result of its guarantee of the debt securities, the SBA has fixed dollar claims on the assets of the Funds that are superior to the claims of our securities holders. We may also borrow from banks and other lenders, including under our Credit Facility, and may issue debt securities or enter into other types of borrowing arrangements in the future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources” for a discussion regarding our outstanding indebtedness. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any decrease in our income would cause net investment income to decline more sharply than it would have had we not leveraged our business. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Use of leverage is generally considered a speculative investment technique.

As of December 31, 2020, we, through the Funds, had \$309.8 million of outstanding indebtedness guaranteed by the SBA, which had a weighted-average annualized interest cost of approximately 3.4%. The debentures guaranteed by the SBA have a maturity of ten years, with a current weighted-average remaining maturity of 5.4 years as of December 31, 2020, and require semiannual payments of interest. We will need to generate sufficient cash flow to make required interest payments on the debentures. If we are unable to meet the financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to the assets of the Funds over our securities holders in the event we liquidate or the SBA exercises its remedies under such debentures as the result of a default by us.

In addition, as of December 31, 2020, we had \$269.0 million outstanding under our Credit Facility. Borrowings under the Credit Facility bear interest, subject to our election, on a per annum basis at a rate equal to the applicable LIBOR rate (0.2% as of the most recent reset date for the period ended December 31, 2020) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.25% as of December 31, 2020) plus 0.875%), as long as we meet certain agreed upon excess collateral and maximum leverage requirements or (ii) 2.0% (or the applicable base rate plus 1.0%) otherwise. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. If we are unable to meet the financial obligations under the Credit Facility, the Credit Facility lending group will have a superior claim to the assets of MSCC and its subsidiaries (excluding the assets of the Funds) over our stockholders in the event we liquidate or the lending group exercises its remedies under the Credit Facility as the result of a default by us.

In November 2017, we issued \$185.0 million in aggregate principal amount of 4.50% unsecured notes due 2022 (the “4.50% Notes”) at an issue price of 99.16%. As of December 31, 2020, the outstanding balance of the 4.50% Notes was \$185.0 million. The 4.50% Notes are unsecured obligations and rank pari passu with our current and future unsecured indebtedness; senior to any of our future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under our Credit Facility; and structurally subordinated to all

existing and future indebtedness and other obligations of any of our subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes mature on December 1, 2022, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions.

In April 2019, we issued \$250.0 million in aggregate principal amount of 5.20% unsecured notes due 2024 (the “5.20% Notes”) at an issue price of 99.125%. In December 2019, we issued an additional \$75.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 105.0%. In July 2020, we issued an additional \$125.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 102.674%. As of December 31, 2020, the outstanding balance of the 5.20% Notes was \$450.0 million. The 5.20% Notes issued in December 2019 and July 2020 have identical terms as, and are a part of a single series with, the 5.20% Notes issued in April 2019. The aggregate net proceeds from the 5.20% Notes issuances were used to repay a portion of the borrowings outstanding under the Credit Facility. The 5.20% 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 5.20% 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 5.20% Notes mature on May 1, 2024, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions.

In January 2021, we issued \$300.0 million in aggregate principal amount of 3.00% unsecured notes due 2026 (the “3.00% Notes” and, together with the 4.50% Notes and the 5.20% Notes, the “Notes”) at an issue price of 99.004%. The 3.00% 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 3.00% 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 3.00% Notes mature on July 14, 2026, and may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions if redeemed prior to June 14, 2026.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

	Assumed Return on Our Portfolio⁽¹⁾ (net of expenses)				
	(10.0)%	(5.0)%	0.0 %	5.0 %	10.0 %
Corresponding Net Return to Common Stock Holder⁽²⁾	(21.5)%	(12.4)%	(3.2)%	5.9 %	15.1 %

(1) Assumes, as of December 31, 2020, \$2,769.4 million in total assets, \$1,213.8 million in debt outstanding, \$1,514.8 million in net assets, and a weighted-average interest rate of 4.0%. Actual interest payments may be different.

(2) In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on our December 31, 2020 total assets of at least 1.8%.

Our ability to achieve our investment objective may depend in part on our ability to access additional leverage on favorable terms by issuing debentures guaranteed by the SBA through the Funds, by borrowing from banks or insurance companies or by issuing other debt securities and there can be no assurance that such additional leverage can in fact be achieved.

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

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

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

RISKS RELATING TO OUR SECURITIES

Investing in our securities may involve a high degree of risk.

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

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

Shares of closed-end investment companies, including BDCs, may trade at a discount to net asset value. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. In addition, if our common stock trades below our net asset value per share, we will generally not be able to issue additional common stock at the market price unless our stockholders approve such a sale and our Board of Directors makes certain determinations. See “Risk Factors — Risks Relating to Our Securities — Stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or issue securities to subscribe to, convert to or purchase shares of our common stock” for a discussion related to us issuing shares of our common stock below net asset value.

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

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

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs, BDCs or SBICs;
- the exclusion of BDC common stock from certain market indices, such as what happened with respect to the Russell indices and the Standard and Poor's indices, could reduce the ability of certain investment funds to own our common stock and limit the number of owners of our common stock and otherwise negatively impact the market price of our common stock;
- inability to obtain any exemptive relief that may be required by us in the future from the SEC;
- loss of our BDC or RIC status or any of the Funds' status as an SBIC;
- changes in our earnings or variations in our operating results;
- changes in the value of our portfolio of investments;
- any shortfall in our investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;
- loss of a major funding source;
- fluctuations in interest rates;
- the operating performance of companies comparable to us;
- departure of our key personnel;
- proposed, or completed, offerings of our securities, including classes other than our common stock;
- global or national credit market changes; and
- general economic trends and other external factors.

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

The 1940 Act prohibits us from selling shares of our common stock at a price below the current net asset value per share of such stock, with certain exceptions. One such exception is prior stockholder approval of issuances below net asset value provided that our Board of Directors makes certain determinations. We did not seek stockholder authorization to sell shares of our common stock below the then current net asset value per share of our common stock at our 2020 annual meeting of stockholders because our common stock price per share had been trading significantly above the net asset value per share of our common stock since 2011. We may, however, seek such authorization at future annual or special meetings of stockholders. Our stockholders have previously approved a proposal to authorize us to

issue securities to subscribe to, convert to, or purchase shares of our common stock in one or more offerings. Any decision to sell shares of our common stock below the then current net asset value per share of our common stock or securities to subscribe to, convert to, or purchase shares of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

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

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

Illustration: Example of Dilutive Effect of the Issuance of Shares Below Net Asset Value. Assume that Company XYZ has 1,000,000 total shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The net asset value per share of the common stock of Company XYZ is \$10.00. The following table illustrates the reduction to net asset value, or NAV, and the dilution experienced by Stockholder A following the sale of 40,000 shares of the common stock of Company XYZ at \$9.50 per share, a price below its NAV per share.

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

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

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

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

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

The Notes are not secured by any of our assets or any of the assets of our subsidiaries and rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value

of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of December 31, 2020, we had \$269.0 million outstanding under the Credit Facility out of \$780.0 million in commitments. The indebtedness under the Credit Facility is senior to the Notes to the extent of the value of the assets securing such indebtedness.

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

The Notes are obligations exclusively of Main Street Capital Corporation and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes, and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. In addition, several of our subsidiaries, specifically the Funds, maintain significant indebtedness and as a result the Notes are structurally subordinated to the indebtedness of these subsidiaries. For example, as of December 31, 2020, the Funds had collectively issued \$309.8 million of the current regulatory maximum of \$350.0 million of SBA-guaranteed debentures, which are included in our consolidated financial statements. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for more detail on the SBA-guaranteed debentures.

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

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

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

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

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. We undertake no obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. The Notes are currently rated by Standard & Poor’s Ratings Services (“S&P”). There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant. In this regard, in March 2020, in connection with the onset of the COVID-19 pandemic, S&P downgraded our long-term issuer rating to “BBB-” with an

"Outlook Stable." Further downgrades to us or our securities could increase our cost of capital or otherwise have a negative effect on our results of operations and financial condition. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Notes.

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

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

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, but giving effect, in each case, to any exemptive relief granted to us by the SEC (currently, this provision generally prohibits us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements are met) after such borrowings);
- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness;
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

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

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

Other debt we issue or incur in the future could contain more protections for its holders than the indentures and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

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

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

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

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

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

As of December 31, 2020, we had approximately \$1,213.8 million of principal indebtedness, including \$269.0 million outstanding under the Credit Facility, \$309.8 million outstanding from SBA-guaranteed debentures, \$185.0 million of the 4.50% Notes and \$450.0 million of the 5.20% Notes outstanding. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, under the Notes or under other indebtedness to which we may be a party that is not waived by the required lenders or debt holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs.

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

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock

by making an investment in the common stock less attractive. In addition, the dividends on any preferred stock we issue must be cumulative. Payment of dividends and repayment of the liquidation preference of preferred stock must take preference over any dividends or other payments to our common stockholders, and holders of preferred stock are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference (other than convertible preferred stock that converts into common stock). In addition, under the 1940 Act, preferred stock constitutes a “senior security” for purposes of the asset coverage test.

FEDERAL INCOME TAX RISKS

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

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

- The Annual Distribution Requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% U.S. federal excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. For more information regarding tax treatment, see “Business — Regulation — Taxation as a Regulated Investment Company.” Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. In addition, because we receive non-cash sources of income such as PIK interest which involves us recognizing taxable income without receiving the cash representing such income, we may have difficulty meeting the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.
- The source-of-income requirement will be satisfied if we obtain at least 90% of our gross income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain “qualified publicly traded partnerships.”

Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in privately held companies, and therefore illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Moreover, if we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions.

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

We will include in income certain amounts that we have not yet received in cash, such as: (i) amortization of original issue discount, which may arise if we receive warrants in connection with the origination of a loan such that ascribing a value to the warrants creates original issue discount in the debt instrument, if we invest in a debt investment at a discount to the par value of the debt security or possibly in other circumstances; (ii) contractual payment-in-kind, or

PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term; (iii) contractual preferred dividends, which represents contractual dividends added to the preferred stock and due at the end of the preferred stock term, subject to adequate profitability at the portfolio company; or (iv) amortization of market discount, which is associated with loans purchased in the secondary market at a discount to par value. Such amortization of original issue discounts, increases in loan balances as a result of contractual PIK arrangements, cumulative preferred dividends, or amortization of market discount will be included in income before we receive the corresponding cash payments. We also may be required to include in income certain other amounts before we receive such amounts in cash. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. For the year ended December 31, 2020, (i) approximately 2.8% of our total investment income was attributable to PIK income not paid currently in cash, (ii) approximately 0.3% of our total investment income was attributable to amortization of original issue discount, (iii) approximately 0.8% of our total investment income was attributable to cumulative dividend income not paid currently in cash, and (iv) approximately 2.3% of our total investment income was attributable to amortization of market discount on loans purchased in the secondary market at a discount.

Since, in certain cases, we may recognize taxable income before or without receiving cash representing such income, we may have difficulty meeting the Annual Distribution Requirement necessary to maintain RIC tax treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax. For additional discussion regarding the tax implications of a RIC, please see “Business — Regulation — Taxation as a Regulated Investment Company.”

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

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

Legislative or regulatory tax changes could adversely affect our stockholders.

At any time, the federal income tax laws governing RICs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws, regulations or interpretations may take effect retroactively and could adversely affect the taxation of us or our stockholders. Therefore, changes in tax laws, regulations or administrative interpretations or any amendments thereto could diminish the value of an investment in our shares or the value or the resale potential of our investments. If we do not comply with applicable laws and regulations, we could lose any licenses that we then hold for the conduct of our business and may be subject to civil fines and criminal penalties.

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

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

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

In order to satisfy the requirements applicable to a RIC and to minimize corporate-level U.S. federal taxes, we intend to distribute to our stockholders substantially all of our net ordinary taxable income and net capital gain income. We may carry forward excess undistributed taxable income into the next year. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income. As a BDC, we generally are required to meet an asset coverage ratio, as defined in the 1940 Act, of at least 200% (or 150% if certain requirements are met) immediately after each issuance of senior securities. This requirement limits the amount that we may borrow and may prohibit us from making distributions. Because we will continue to need capital to grow our Investment Portfolio, this limitation may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so.

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

GENERAL RISK FACTORS

Deterioration in the economy and financial markets could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.

The broader fundamentals of the United States economy remain mixed. In the event that the United States economy contracts, it is likely that the financial results of small to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults. In addition, a decline in oil and natural gas prices would adversely affect the credit quality of our debt investments and the underlying operating performance of our equity investments in energy-related businesses. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by economic cycles, industry cycles or other conditions, which could also have a negative impact on our future results.

Although we have been able to secure access to additional liquidity, including through our Credit Facility, public debt issuances, leverage available through the SBIC program and equity offerings, the potential for volatility in the debt and equity capital markets provides no assurance that debt or equity capital will be available to us in the future on favorable terms, or at all. Further, if the price of our common stock falls below our net asset value per share, we will be limited in our ability to sell new shares if we do not have stockholder authorization to sell shares at a price below net asset value per share. We did not seek stockholder authorization to sell shares of our common stock below the then

current net asset value per share of our common stock at our 2020 annual meeting of stockholders because our common stock price had been trading significantly above the net asset value per share of our common stock since 2011.

We may experience fluctuations in our operating results.

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

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

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

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

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber attacks, including software viruses, ransomware, malware and phishing and vishing schemes.

The failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

Third parties with which we do business (including, but not limited to, service providers, such as accountants, custodians, transfer agents and administrators, and the issuers of securities in which we invest) may also be sources or targets of cyber security or other technological risks. While we engage in actions to reduce our exposure resulting from outsourcing, we cannot control the cyber security plans and systems put in place by these third parties and ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above. Privacy and information security laws and regulation changes, and compliance with those changes, may also result in cost increases due to system changes and the development of new administrative processes.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operations. Currently, we lease office space in Houston, Texas for our corporate headquarters.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

COMMON STOCK AND HOLDERS

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "MAIN."

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

	NAV(1)	Price Range		Premium of High Sales Price to NAV(2)	Premium (Discount) of Low Sales Price to NAV(2)
		High	Low		
Year ending December 31, 2021					
First Quarter (through February 25, 2021)	*	\$ 36.92	\$ 31.35	*	*
Year ending December 31, 2020					
Fourth Quarter	\$ 22.35	\$ 32.59	\$ 27.39	46 %	23 %
Third Quarter	21.52	33.01	28.66	53 %	33 %
Second Quarter	20.85	35.82	17.34	72 %	(17)%
First Quarter	20.73	45.00	15.74	117 %	(24)%
Year ending December 31, 2019					
Fourth Quarter	\$ 23.91	\$ 43.68	\$ 41.27	83 %	73 %
Third Quarter	24.20	44.34	40.90	83 %	69 %
Second Quarter	24.17	41.80	37.49	73 %	55 %
First Quarter	24.41	39.21	33.99	61 %	39 %

(1) Net asset value per share, or NAV, is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing prices. The net asset values shown are based on outstanding shares at the end of each period. Net asset value has not yet been determined for the first quarter of 2021.

(2) Calculated for each quarter as (i) NAV subtracted from the respective high or low share price divided by (ii) NAV.

On February 25, 2021, the last sale price of our common stock on the NYSE was \$35.70 per share, and there were approximately 428 holders of record of the common stock which did not include stockholders for whom shares are held in “nominee” or “street name.” The net asset value per share of our common stock on December 31, 2020 was \$22.35, and the premium of the February 25, 2021 closing price of our common stock was 60% to this net asset value per share.

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

DIVIDEND/DISTRIBUTION POLICY

We currently intend to distribute dividends or make distributions to our stockholders out of assets legally available for distribution. Our dividends and other distributions, if any, will be determined by our Board of Directors from time to time. Our ability to declare dividends depends on our earnings, our overall financial condition (including our liquidity position), maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. When we make distributions, we are required to determine the extent to which such distributions are paid out of current or accumulated earnings, recognized capital gains or capital. To the extent there is a return of capital (a distribution of the stockholders' invested capital), investors will be required to reduce their basis in our stock for federal tax purposes. In the future, our distributions may include a return of capital.

We have adopted a dividend reinvestment and direct stock purchase plan (the “Plan”). The dividend reinvestment feature of the Plan (the “DRIP”) provides for the reinvestment of dividends on behalf of our stockholders,

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

SALES OF UNREGISTERED SECURITIES

During the year ended December 31, 2020, we issued a total of 517,796 shares of our common stock under the DRIP. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended. The aggregate value of the shares of our common stock issued under the DRIP during 2020 was approximately \$16.2 million.

PURCHASES OF EQUITY SECURITIES

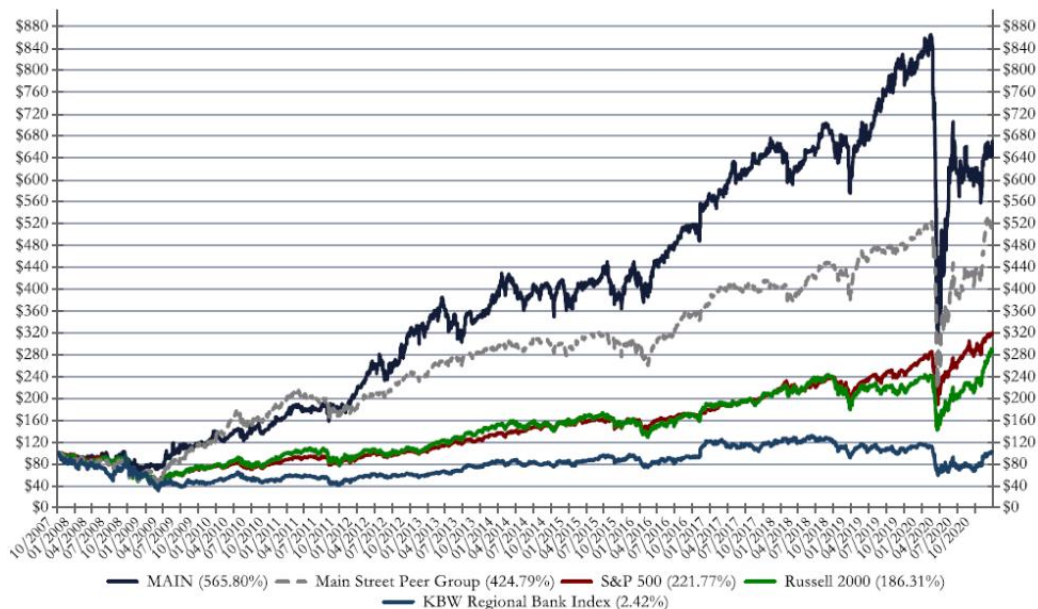
Upon vesting of restricted stock awarded pursuant to our employee equity compensation plan, shares may be withheld to meet applicable tax withholding requirements. Any withheld shares are treated as common stock purchases by the Company in our consolidated financial statements as they reduce the number of shares received by employees upon vesting (see “Purchase of vested stock for employee payroll tax withholding” in the consolidated statements of changes in net assets for share amounts withheld).

STOCK PERFORMANCE GRAPH

The following graph compares the stockholder return on our common stock from October 5, 2007 to December 31, 2020 with the S&P 500 Index, the Russell 2000 Index, the KBW Regional Bank Index and the Main Street Peer Group (as defined below). This comparison assumes \$100.00 was invested on October 5, 2007 (the date our common stock began to trade in connection with our initial public offering) in our common stock and in the comparison groups and assumes the reinvestment of all cash dividends prior to any tax effect. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

**COMPARISON OF STOCKHOLDER RETURN(1)
 Among Main Street Capital Corporation, the S&P 500 Index, the Russell 2000 Index, the KBW
 Regional Bank Index, and the Main Street Peer Group(2)
 (For the Period October 5, 2007 to December 31, 2020)**

TOTAL RETURN PERFORMANCE SINCE IPO



- (1) Total return includes reinvestment of dividends through December 31, 2020.
- (2) The Main Street Peer Group is composed of Apollo Investment Corp., Ares Capital Corporation, Barings BDC, Inc., Blackrock Capital Investment Corp., Crescent Capital BDC Inc, TCG BDC, Inc, Capital Southwest Corporation, Fidus Investment Corporation, FS KKR Capital Corp., Gladstone Investment Corporation, Golub Capital BDC, Inc., Goldman Sachs BDC, Inc., Hercules Capital Inc., Monroe Capital Corporation, Newtek Business Services Corp., New Mountain Finance Corporation, Oaktree Strategic Income Corp., Oaktree Specialty Lending Corp., OFS Capital Corporation, PennantPark Floating Rate Capital Ltd., PennantPark Investment Corp., Prospect Capital Corporation, Saratoga Investment Corp., Stellus Capital Investment Corp., Solar Capital Ltd., Solar Senior Capital Ltd, BlackRock TCP Capital Corp., Triplepoint Venture Growth BDC Corp., Sixth Street Specialty Lending, Inc., and WhiteHorse Finance, Inc.

Item 6. Selected Financial Data

The selected financial and other data as of and for the years ended December 31, 2020, 2019, 2018, 2017 and 2016 have been derived from our consolidated financial statements. You should read this selected financial and other data in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included in this Annual Report on Form 10-K.

	Twelve Months Ended December 31,				
	2020	2019	2018	2017	2016
(dollars in thousands, except per share amounts)					
Statement of operations data:					
Investment income:					
Total interest, fee and dividend income	\$ 222,614	\$ 243,373	\$ 233,355	\$ 205,741	\$ 178,165
Interest from idle funds and other	—	—	—	—	174
Total investment income	222,614	243,373	233,355	205,741	178,339
Expenses:					
Interest	(49,587)	(50,258)	(43,493)	(36,479)	(33,630)
Compensation	(18,981)	(19,792)	(18,966)	(18,560)	(16,408)
General and administrative	(12,702)	(12,546)	(11,868)	(11,674)	(9,284)
Share-based compensation	(10,828)	(10,083)	(9,151)	(10,027)	(8,304)
Expenses allocated to the External Investment Manager	7,429	6,672	6,768	6,370	5,089
Total expenses	(84,669)	(86,007)	(76,710)	(70,370)	(62,537)
Net investment income	137,945	157,366	156,645	135,371	115,802
Total net realized gain (loss) from investments	(115,947)	(15,112)	1,341	16,182	29,389
Realized loss on extinguishment of debt	(534)	(5,689)	(2,896)	(5,217)	—
Total net unrealized appreciation (depreciation) from investments	(6,082)	(10,204)	17,981	42,545	(6,576)
Total net unrealized appreciation (depreciation) from SBIC debentures	460	4,450	1,294	6,212	(943)
Income tax benefit (provision)	13,541	(1,242)	(6,152)	(24,471)	1,227
Net increase in net assets resulting from operations attributable to common stock	\$ 29,383	\$ 129,569	\$ 168,213	\$ 170,622	\$ 138,899
Net investment income per share — basic and diluted	\$ 2.10	\$ 2.50	\$ 2.60	\$ 2.39	\$ 2.23
Net increase in net assets resulting from operations attributable to common stock per share — basic and diluted	\$ 0.45	\$ 2.06	\$ 2.80	\$ 3.01	\$ 2.67
Weighted-average shares outstanding — basic and diluted	65,705,963	62,960,591	60,176,843	56,691,913	52,025,002

	As of December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Balance sheet data:					
Assets:					
Total portfolio investments at fair value	\$ 2,684,866	\$ 2,602,324	\$ 2,453,909	\$ 2,171,305	\$ 1,996,906
Cash and cash equivalents	31,919	55,246	54,181	51,528	24,480
Interest receivable and other assets	49,761	50,458	40,875	38,725	37,123
Deferred financing costs, net of accumulated amortization	2,818	3,521	4,461	3,837	12,645
Deferred tax asset, net	—	—	—	—	9,125
Total assets	<u>\$ 2,769,364</u>	<u>\$ 2,711,549</u>	<u>\$ 2,553,426</u>	<u>\$ 2,265,395</u>	<u>\$ 2,080,279</u>
Liabilities and net assets:					
Credit facility	\$ 269,000	\$ 300,000	\$ 301,000	\$ 64,000	\$ 343,000
SBIC debentures at fair value(1)	303,972	306,188	338,186	288,483	239,603
5.20% Notes due 2024	451,817	324,595	—	—	—
4.50% Notes due 2022	183,836	183,229	182,622	182,015	—
4.50% Notes due 2019	—	—	174,338	173,616	175,000
6.125% Notes	—	—	—	89,057	90,655
Accounts payable and other liabilities	20,833	24,532	17,962	20,168	14,205
Payable for securities purchased	—	—	28,254	40,716	2,184
Interest payable	8,658	7,292	6,041	5,273	4,103
Dividend payable	13,889	13,174	11,948	11,146	10,048
Deferred tax liability, net	2,592	16,149	17,026	10,553	—
Total liabilities	<u>1,254,597</u>	<u>1,175,159</u>	<u>1,077,377</u>	<u>885,027</u>	<u>878,798</u>
Total net assets	<u>1,514,767</u>	<u>1,536,390</u>	<u>1,476,049</u>	<u>1,380,368</u>	<u>1,201,481</u>
Total liabilities and net assets	<u>\$ 2,769,364</u>	<u>\$ 2,711,549</u>	<u>\$ 2,553,426</u>	<u>\$ 2,265,395</u>	<u>\$ 2,080,279</u>
Other data:					
Weighted-average effective yield on LMM debt investments(2),(3)	11.6 %	11.8 %	12.3 %	12.0 %	12.5 %
Number of LMM portfolio companies	70	69	69	70	73
Weighted-average effective yield on Middle Market debt investments(2),(3)	7.9 %	8.6 %	9.6 %	9.0 %	8.5 %
Number of Middle Market portfolio companies	42	51	56	62	78
Weighted-average effective yield on Private Loan debt investments(2),(3)	8.7 %	9.5 %	10.4 %	9.2 %	9.6 %
Number of Private Loan portfolio companies	63	65	59	54	46
Expense ratios (as percentage of average net assets):					
Total expenses, including income tax expense	5.0 %	5.7 %	5.7 %	7.4 %	5.5 %
Operating expenses	5.9 %	5.7 %	5.3 %	5.5 %	5.6 %
Operating expenses, excluding interest expense	2.4 %	2.4 %	2.3 %	2.6 %	2.6 %
Total investment return(4)	(19.1)%	36.9 %	(8.3)%	16.0 %	37.4 %
Total return based on change in NAV(5)	1.9 %	8.8 %	12.2 %	14.2 %	13.0 %

(1) SBIC debentures for December 31, 2020, 2019, 2018, 2017 and 2016 are \$309,800, \$311,800, \$345,800, \$298,800 and \$240,000 at par, respectively.

- (2) Weighted-average effective yield is calculated based on our debt investments at the end of each period and includes amortization of deferred debt origination fees and accretion of original issue discount, but excludes liquidation fees payable upon repayment and any debt investments on non-accrual status. The 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 any debt investments on non-accrual status, our expenses or any sales load paid by an investor. For information on our investments on non-accrual status, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Asset Quality”.
- (3) Including investments on non-accrual status, the weighted-average effective yield for LMM, Middle Market, and Private Loan debt investments was 10.4%, 7.9%, and 8.4%, respectively, as of December 31, 2020.
- (4) Total investment return is based on the 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 our dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.
- (5) Total return is based on change in net asset value and 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. Non-operating changes include any items that affect net asset value other than the net increase in net assets resulting from operations, such as the effects of stock offerings, shares issued under the DRIP and equity incentive plans and other miscellaneous items.

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

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

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

COVID-19 UPDATE

The COVID-19 pandemic, and the related effect on the U.S. and global economies, has had, and threatens to continue to have, adverse consequences for our business and operating results, and the businesses and operating results of our portfolio companies. During the quarter ended December 31, 2020, we continued to work collectively with our employees and portfolio companies to navigate the significant challenges created by the COVID-19 pandemic. We remain focused on ensuring the safety of our employees and the employees of our portfolio companies, while also managing our ongoing business activities. In this regard, we remain heavily engaged with our portfolio companies. As discussed below under “Discussion and Analysis of Results of Operations,” our investment income, principally our interest and dividend income, was negatively impacted by the economic effects of COVID-19 in 2020. We continue to maintain access to multiple sources of liquidity, including cash, unused capacity under our Credit Facility and remaining SBIC debenture capacity, and from December 31, 2019 to December 31, 2020, our total liquidity improved from \$495.5 million to \$583.1 million. As of December 31, 2020, we were in compliance with all debt covenants and do not anticipate any issues with our ability to comply with all covenants in the future. Refer to “—Liquidity and Capital Resources” below for further discussion as of December 31, 2020.

Neither our management nor our Board of Directors is able to predict the full impact of the COVID-19 pandemic, including its duration and the magnitude of its economic and societal impact. As such, while we will continue to monitor the rapidly evolving situation and guidance from U.S. and international authorities, including federal, state and local public health authorities, we are unable to predict with any certainty the extent to which the outbreak will negatively affect our portfolio companies’ operating results and financial condition or the impact that such disruptions may have on our results of operations and financial condition in the future.

INVESTMENT PORTFOLIO ACTIVITY

The following tables provide a summary of our investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2020 and 2019 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

	As of December 31, 2020		
	LMM (a)	Middle Market	Private Loan
	(dollars in millions)		
Number of portfolio companies	70	42	63
Fair value	\$ 1,285.5	\$ 445.6	\$ 740.4
Cost	\$ 1,104.6	\$ 488.9	\$ 769.0
Debt investments as a % of portfolio (at cost)	65.8 %	93.0 %	93.8 %
Equity investments as a % of portfolio (at cost)	34.2 %	7.0 %	6.2 %
% of debt investments at cost secured by first priority lien	98.1 %	92.4 %	95.4 %
Weighted-average annual effective yield (b)	11.6 %	7.9 %	8.7 %
Average EBITDA (c)	\$ 5.3	\$ 76.5	\$ 58.1

- (a) At December 31, 2020, 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 38%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2020, 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 three LMM portfolio companies, one Middle Market portfolio company and four Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for our investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

	As of December 31, 2019		
	LMM (a)	Middle Market (dollars in millions)	Private Loan
Number of portfolio companies	69	51	65
Fair value	\$ 1,206.9	\$ 522.1	\$ 692.1
Cost	\$ 1,002.2	\$ 572.3	\$ 734.8
Debt investments as a % of portfolio (at cost)	65.9 %	94.8 %	94.6 %
Equity investments as a % of portfolio (at cost)	34.1 %	5.2 %	5.4 %
% of debt investments at cost secured by first priority lien	98.1 %	91.3 %	95.4 %
Weighted-average annual effective yield (b)	11.8 %	8.6 %	9.5 %
Average EBITDA (c)	\$ 5.1	\$ 85.0	\$ 57.8

- (a) At December 31, 2019, 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 42%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2019, 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 three LMM portfolio companies, two 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, and those portfolio companies whose primary purpose is to own real estate.

As of December 31, 2020, we had Other Portfolio investments in twelve companies, collectively totaling approximately \$96.6 million in fair value and approximately \$124.7 million in cost basis and which comprised approximately 3.6% of our Investment Portfolio at fair value. As of December 31, 2019, we had Other Portfolio investments in eleven companies, collectively totaling approximately \$106.7 million in fair value and approximately \$118.4 million in cost basis and which comprised approximately 4.1% of our Investment Portfolio at fair value.

As previously discussed, the External Investment Manager is a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2020, there was \$29.5 million in cost basis in this investment and the investment had a fair value of approximately \$116.8 million, which comprised approximately 4.3% of our Investment

Portfolio at fair value. As of December 31, 2019, there was no cost basis in this investment and the investment had a fair value of approximately \$74.5 million, which comprised approximately 2.9% of our Investment Portfolio at fair value.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. Critical accounting policies are those that require management to make subjective or complex judgments about the effect of matters that are inherently uncertain and may change in subsequent periods. Changes that may be required in the underlying assumptions or estimates in these areas could have a material impact on our current and future financial condition and results of operations.

Management has discussed the development and selection of each critical accounting policy and estimate with the Audit Committee of the Board of Directors. Our critical accounting policies and estimates include the Investment Portfolio Valuation and Revenue Recognition policies described below. Our significant accounting policies are described in greater detail in Note B to the consolidated financial statements included in “Item 8.—Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

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. We consider this determination to be a critical accounting estimate, given the significant judgments and subjective measurements required. As of December 31, 2020 and 2019, our Investment Portfolio valued at fair value represented approximately 97% and 96% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal market that are independent, knowledgeable and willing and able to transact. See “Note B.1.—Valuation of the Investment Portfolio” in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

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

Our Board of Directors has the final responsibility for overseeing, reviewing and approving, in good faith, our determination of the fair value for our Investment Portfolio and our valuation procedures, consistent with 1940 Act requirements. We believe our Investment Portfolio as of December 31, 2020 and 2019 approximates fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

The SEC recently adopted new Rule 2a-5 under the 1940 Act, which establishes requirements for determining fair value in good faith for purposes of the 1940 Act. We will comply with the new rule’s valuation requirements on or before the SEC’s compliance date in 2022.

*Revenue Recognition*Interest and Dividend Income

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

Fee Income

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

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

We hold certain debt and preferred equity instruments in our Investment Portfolio that contain PIK interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these 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.—Income Taxes" in the notes to consolidated financial statements), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though we may not have collected the PIK interest and cumulative dividends in cash. We stop accruing PIK interest and cumulative dividends and write off any accrued and uncollected interest and dividends in arrears when we determine that such PIK interest and dividends in arrears are no longer collectible. For the years ended December 31, 2020, 2019, and 2018, (i) approximately 2.8%, 2.0% and 1.0%, respectively, of our total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.8%, 1.0% and 1.0%, respectively, of our total investment income was attributable to cumulative dividend income not paid currently in cash.

INVESTMENT PORTFOLIO COMPOSITION

The following tables summarize the composition of our total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments at cost and fair value by type of investment as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments as of December 31, 2020 and 2019 (this information excludes the Other Portfolio investments and the External Investment Manager).

Cost:	December 31, 2020	December 31, 2019
First lien debt	77.0 %	78.2 %
Equity	19.0 %	17.2 %
Second lien debt	2.7 %	3.5 %
Equity warrants	0.5 %	0.6 %
Other	0.8 %	0.5 %
	<u>100.0 %</u>	<u>100.0 %</u>

Fair Value:	December 31, 2020	December 31, 2019
First lien debt	70.0 %	70.1 %
Equity	26.4 %	26.0 %
Second lien debt	2.4 %	3.0 %
Equity warrants	0.4 %	0.4 %
Other	0.8 %	0.5 %
	<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” 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.

As of December 31, 2020, our total Investment Portfolio had seven investments on non-accrual status, which comprised approximately 1.3% of its fair value and 3.6% of its cost. As of December 31, 2019, our total Investment Portfolio had eight investments on non-accrual status, which comprised approximately 1.4% of its fair value and 4.8% of its cost.

The operating results of our portfolio companies are impacted by changes in the broader fundamentals of the United States economy. In periods during which the United States economy contracts, as it has due to the impact of COVID-19, it is likely that the financial results of small to mid-sized companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements, to an increase in defaults on our debt investments or in realized losses on our investments and to difficulty in maintaining historical dividend payment rates and unrealized appreciation on our equity investments. Consequently, we can provide no assurance that the performance of certain portfolio companies will not be negatively impacted by future economic cycles or other conditions, which could also have a negative impact on our future results.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Set forth below is a comparison of the results of operations and changes in financial condition for the years ended December 31, 2020 and 2019. The comparison of, and changes between, the fiscal years ended December 31, 2019 and 2018 can be found within “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II of our annual report on Form 10-K for the fiscal year ended December 31, 2019, which is incorporated herein by reference.

Comparison of the years ended December 31, 2020 and 2019

	Year Ended December 31,		Net Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Total investment income	\$ 222,614	\$ 243,373	\$ (20,759)	(9)%
Total expenses	(84,669)	(86,007)	1,338	(2)%
Net investment income	137,945	157,366	(19,421)	(12)%
Net realized loss from investments	(115,947)	(15,112)	(100,835)	NM
Net realized loss on extinguishment of debt	(534)	(5,689)	5,155	NM
Net unrealized appreciation (depreciation) from:				
Portfolio investments	(6,082)	(10,204)	4,122	NM
SBIC debentures	460	4,450	(3,990)	NM
Total net unrealized appreciation (depreciation)	(5,622)	(5,754)	132	NM
Income tax benefit (provision)	13,541	(1,242)	14,783	NM
Net increase (decrease) in net assets resulting from operations	\$ 29,383	\$ 129,569	\$ (100,186)	NM

	Year Ended December 31,		Net Change	
	2020	2019	Amount	%
	(dollars in thousands, except per share amounts)			
Net investment income	\$ 137,945	\$ 157,366	\$ (19,421)	(12)%
Share-based compensation expense	10,828	10,083	745	7 %
Distributable net investment income(a)	\$ 148,773	\$ 167,449	\$ (18,676)	(11)%
Net investment income per share—Basic and diluted	\$ 2.10	\$ 2.50	\$ (0.40)	(16)%
Distributable net investment income per share—Basic and diluted(a)	\$ 2.26	\$ 2.66	\$ (0.40)	(15)%

NM Not
Meaningful

- (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

Total investment income for the year ended December 31, 2020 was \$222.6 million, a 9% decrease from the \$243.4 million of total investment income for the prior year. The following table provides a summary of the changes in the comparable period activity.

	Year Ended December 31,		Net Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Interest Income	\$ 173,676	\$ 187,381	\$ (13,705)	(7)% (a)
Dividend Income	36,373	49,782	(13,409)	(27)% (b)
Fee Income	12,565	6,210	6,355	102 % (c)
Total Investment Income	\$ 222,614	\$ 243,373	\$ (20,759)	(9)% (d)

- (a) The decrease in interest income was primarily due to lower floating interest rates on investment portfolio debt investments based upon the decline in the London Interbank Offered Rate (“LIBOR”) and an increase in the level non-accrual investments, partially offset by a \$2.5 million increase resulting from increased prepayment, repricing and other activities considered less consistent or non-recurring involving existing Investment Portfolio debt investments.
- (b) The decrease in dividend income was primarily the result of the negative impacts of the COVID-19 pandemic on certain of our portfolio companies’ operating results, financial condition and liquidity, as well as the uncertainty relative to the duration of the pandemic’s effects.
- (c) The increase in fee income was primarily due to (i) a \$4.6 million increase in fees from origination of debt investments resulting from higher new investment activity and (ii) a \$1.7 million increase in fees from repayment and refinancing activity on existing portfolio investments.
- (d) The decrease in total investment income includes the impact of a \$4.2 million increase from accelerated prepayment, repricing and other income activity considered less consistent or non-recurring, which incorporates the \$2.5 million increase in interest income from prepayment, repricing and other activities and the \$1.7 million increase in fee income from repayment and repricing activity, both as described above.

Expenses

Total expenses for the year ended December 31, 2020 decreased to \$84.7 million from \$86.0 million in the prior year. The following table provides a summary of the changes in the comparable period activity.

	Year Ended December 31,		Net Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Employee Compensation Expenses	\$ 18,197	\$ 18,896	\$ (700)	(4)% (a)
Deferred Compensation Plan Expense	784	896	(112)	(12)%
Total Compensation Expense	18,981	19,792	(811)	(4)%
G&A Expense	12,702	12,546	156	1%
Interest Expense	49,587	50,258	(671)	(1)%
Share Based Compensation Expense	10,828	10,083	745	7%
Gross Expenses	92,098	92,679	(581)	(1)%
Allocation of Expenses to the External Investment Manager	(7,429)	(6,672)	(757)	11% (b)
Total Expenses	\$ 84,669	\$ 86,007	\$ (1,338)	(2)%

- (a) The decrease in employee compensation expenses was primarily due to a decline in incentive compensation, partially offset by an increase in base compensation expense.
- (b) The increase in expenses allocated to the External Investment Manager was generally attributable to expenses incurred in connection with the transaction by which the External Investment Manager became the sole investment manager to MSC Income.

Net Investment Income

Net investment income for the year ended December 31, 2020 decreased 12% to \$137.9 million, or \$2.10 per share, compared to net investment income of \$157.4 million, or \$2.50 per share, for the prior year. The decrease in net investment income was principally attributable to the decrease in total investment income, partially offset by lower operating expenses, both as discussed above. The decrease in net investment income per share reflects these changes, as well as the 4.4% increase in weighted average shares outstanding to 65.7 million for the year ended December 31, 2020, primarily due to shares issued through the ATM Program (as defined in “—Liquidity and Capital Resources—Capital Resources” below), shares issued pursuant to our equity incentive plans and shares issued pursuant to our dividend

reinvestment plan. The decline in net investment income on a per share basis includes the impacts of an increase of \$0.06 per share due to the increase in investment income from accelerated prepayment, repricing and other income activity considered less consistent or non-recurring, as discussed above.

Distributable Net Investment Income

Distributable net investment income for the year ended December 31, 2020 decreased 11% to \$148.8 million, or \$2.26 per share, compared with \$167.4 million, or \$2.66 per share, in the prior year. The decline in distributable net investment income was primarily due to the decreased level of total investment income, partially offset by lower operating expenses, both as discussed above. The decline in distributable net investment income on a per share basis for the year ended December 31, 2020 also reflects a greater number of average shares outstanding compared to the prior year and the impacts of the increase in investment income from accelerated prepayment, repricing and other income activity considered less consistent or non-recurring, both as discussed above.

Net Realized Gain (Loss) from Investments

The following table provides a summary of the primary components of the total net realized loss on investments of \$115.9 million for the year ended December 31, 2020:

	Year Ended December 31, 2020							
	Full Exits		Partial Exits		Restructures		Total	
	Net	# of	Net	# of	Net	# of	Net	# of
	Gain/(Loss)	Investments	Gain/(Loss)	Investments	Gain/(Loss)	Investments	Gain/(Loss)	Investments
	(dollars in thousands)							
LMM Portfolio	\$ (5,937)	5	\$ (12,880)	5	\$ -	-	\$ (18,817)	10
Middle Market Portfolio	(22,503)	6	-	-	(30,594)	4	(53,097)	10
Private Loan Portfolio	(29,075)	2	-	-	(14,914)	2	(43,989)	4
Total Net Realized Gain/(Loss)	\$ (57,514)	13	\$ (12,880)	5	\$ (45,509)	6	\$ (115,903)	24

The following table provides a summary of the primary components of the total net realized loss on investments of \$15.1 million for the year ended December 31, 2019:

	Year Ended December 31, 2019							
	Full Exits		Partial Exits		Restructures		Total	
	Net	# of	Net	# of	Net	# of	Net	# of
	Gain/Loss	Investments	Gain/Loss	Investments	Gain/Loss	Investments	Gain/Loss	Investments
	(dollars in thousands)							
LMM Portfolio	\$ 13,788	4	\$ -	-	\$ -	-	\$ 13,788	4
Middle Market Portfolio	(12,216)	2	(7,012)	1	(9,880)	2	(29,107)	5
Private Loan Portfolio	616	4	-	-	-	-	616	4
Total Net Realized Gain/(Loss)	\$ 2,189	10	\$ (7,012)	1	\$ (9,880)	2	\$ (14,703)	13

Net Unrealized Appreciation (Depreciation)

The following table provides a summary of the total net unrealized depreciation of \$5.6 million for the year ended December 31, 2020:

	Year Ended December 31, 2020				
	LMM(a)	Middle Market (b)	Private Loan (c)	Other	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains / income) losses recognized during the current period	\$ 11.0	\$ 50.0	\$ 48.4	\$ 0.0	\$ 109.4
Net unrealized depreciation relating to portfolio investments	<u>(34.7)</u>	<u>(43.1)</u>	<u>(34.6)</u>	<u>(3.0)</u> (d)	<u>(115.5)</u>
Total net unrealized depreciation relating to portfolio investments	<u>\$ (23.7)</u>	<u>\$ 6.9</u>	<u>\$ 13.7</u>	<u>\$ (3.0)</u>	<u>\$ (6.1)</u>
Unrealized appreciation relating to SBIC debentures (e)					0.5
Total net unrealized depreciation					<u>\$ (5.6)</u>

- (a) Includes unrealized appreciation on 31 LMM portfolio investments and unrealized depreciation on 34 LMM portfolio investments.
- (b) Includes unrealized appreciation on 16 Middle Market portfolio investments and unrealized depreciation on 33 Middle Market portfolio investments.
- (c) Includes unrealized appreciation on 20 Private Loan portfolio investments and unrealized depreciation on 41 Private Loan portfolio investments.
- (d) Includes \$16.5 million of net unrealized depreciation relating to the Other Portfolio, partially offset primarily by \$12.7 million of unrealized appreciation relating to the External Investment Manager.
- (e) Relates to unrealized depreciation on the SBIC debentures previously issued by MSC II, which were accounted for on a fair value basis.

The following table provides a summary of the total net unrealized depreciation of \$5.8 million for the year ended December 31, 2019:

	Year Ended December 31, 2019				
	LMM(a)	Middle Market (b)	Private Loan (c)	Other	Total
	(dollars in millions)				
Accounting reversals of net unrealized (appreciation) depreciation recognized in prior periods due to net realized (gains / income) losses recognized during the current period	\$ (14.0)	\$ 23.6	\$ (2.3)	\$ 0.1	\$ 7.4
Net unrealized appreciation (depreciation) relating to portfolio investments	<u>14.5</u>	<u>(42.0)</u>	<u>4.3</u>	<u>5.6</u> (d)	<u>(17.6)</u>
Total net unrealized appreciation (depreciation) relating to portfolio investments	<u>\$ 0.5</u>	<u>\$ (18.4)</u>	<u>\$ 2.0</u>	<u>\$ 5.7</u>	<u>\$ (10.2)</u>
Unrealized appreciation relating to SBIC debentures(c)					4.4
Total net unrealized depreciation					<u>\$ (5.8)</u>

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- (a) Includes unrealized appreciation on 33 LMM portfolio investments and unrealized depreciation on 27 LMM portfolio investments.
 - (b) Includes unrealized appreciation on 22 Middle Market portfolio investments and unrealized depreciation on 37 Middle Market portfolio investments.
 - (c) Includes unrealized appreciation on 42 Private Loan portfolio investments and unrealized depreciation on 21 Private Loan portfolio investments.
 - (d) Includes (i) \$8.8 million of unrealized appreciation relating to the External Investment Manager and (ii) \$0.9 million of unrealized appreciation relating to the investment assets in the Main Street Capital Corporation Deferred Compensation Plan (see “Related Party Transactions” below), partially offset by \$4.0 million of net unrealized depreciation relating to the Other Portfolio.
 - (e) Relates to \$5.7 million of unrealized appreciation on the SBIC debentures previously issued by MSC II which are accounted for on a fair value basis and is primarily related to accounting reversals of previously recognized unrealized depreciation recorded since the date of the MSC II acquisition on the debentures repaid during the year ended December 31, 2019, partially offset by \$1.2 million of unrealized depreciation on the SBIC debentures previously issued by MSC II, which are also accounted for on a fair value basis.

Income Tax Benefit (Provision)

The income tax benefit for the year ended December 31, 2020 of \$13.5 million principally consisted of a deferred tax benefit of \$14.1 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 a current tax provision of \$0.5 million related to a \$1.6 million provision for excise tax on our estimated undistributed taxable income and a \$1.1 million benefit for current U.S. federal and state income taxes.

The income tax provision for the year ended December 31, 2019 of \$1.2 million principally consisted of a current tax expense of \$3.5 million related to (i) a \$2.4 million provision for current U.S. federal and state income taxes and (ii) a \$1.1 million provision for excise tax on our estimated undistributed taxable income, partially offset by a deferred tax benefit of \$2.3 million, which is primarily the result of the net activity relating to our portfolio investments held in our Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation/depreciation and other temporary book-tax differences.

Net Increase (Decrease) in Net Assets Resulting from Operations

The net increase in net assets resulting from operations for the year ended December 31, 2020 was \$29.4 million, or \$0.45 per share, compared with \$129.6 million, or \$2.06 per share, during the year ended December 31, 2019. The tables above provide a summary of the reasons for the change in Net Increase in Net Assets Resulting from Operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Liquidity and Capital Resources

This “Liquidity and Capital Resources” section should be read in conjunction with the “COVID-19 Update” section above.

Cash Flows

For the year ended December 31, 2020, we experienced a net decrease in cash and cash equivalents in the amount of \$23.3 million, which is the net result of \$54.1 million of cash used in our operating activities and \$30.8 million of cash provided by our financing activities.

The \$54.1 million of cash used in our operating activities resulted primarily from cash uses totaling \$669.0 million for the funding of new and follow-on portfolio company investments, including the transaction pursuant to which the External Investment Manager became the sole investment adviser to MSC Income, and settlement of accruals for portfolio investments existing as of December 31, 2019, partially offset by (i) cash proceeds totaling \$478.0 million from the sales and repayments of debt investments and sales of and return on capital of equity investments, (ii) cash flows we generated from the operating profits earned totaling \$131.5 million, which is our distributable net investment income, excluding the non-cash effects of the accretion of unearned income, payment-in-kind interest income, cumulative dividends and the amortization expense for deferred financing costs, and (iii) cash proceeds of \$5.4 million related to changes in other assets and liabilities.

The \$30.8 million of cash provided by our financing activities principally consisted of (i) \$125.0 million in proceeds from the follow-on issuance of the 5.20% Notes in July 2020, (ii) \$84.4 million in net cash proceeds from our ATM Program (described below) and direct stock purchase plan, (iii) \$40.0 million in cash proceeds from the issuance of SBIC debentures and (iv) \$0.7 million for debt issuance premiums, net of payments of deferred debt issuance costs, SBIC debenture fees and other costs, partially offset by (i) \$144.5 million in cash dividends paid to stockholders, (ii) \$31.0 million in net repayments from the Credit Facility, (iii) \$42.0 million in repayment of SBIC debentures, and (iv) \$1.9 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock.

For the year ended December 31, 2019, we experienced a net increase in cash and cash equivalents in the amount of \$1.1 million, which is the net result of \$33.8 million of cash used in our operating activities and \$34.9 million of cash provided by our financing activities.

The \$33.8 million of cash was used in our operating activities resulted primarily from cash uses totaling \$664.1 million for the funding of new portfolio company investments and settlement of accruals for portfolio investments existing as of December 31, 2018, partially offset by (i) cash flows we generated from the operating profits earned totaling \$151.6 million, which is our distributable net investment income, excluding the non-cash effects of the accretion of unearned income, payment-in-kind interest income, cumulative dividends and the amortization expense for deferred financing costs, (ii) cash proceeds totaling \$477.9 million from the sales and repayments of debt investments and sales of and return on capital of equity investments and (iii) cash proceeds of \$0.8 million related to changes in other assets and liabilities.

The \$34.9 million of cash was used in our financing activities principally consisted of (i) \$325.0 million in cash proceeds from the issuance of the 5.20% Notes and (ii) \$89.3 million in net cash proceeds from the ATM Program (described below), partially offset by (i) \$175.0 million cash used in repayment of 4.50% Notes due 2019, (ii) \$164.3 million in cash dividends paid to stockholders, (iii) \$34.0 million in repayment of SBIC debentures, (iv) \$3.9 million for purchases of vested restricted stock from employees to satisfy their tax withholding requirements upon the vesting of such restricted stock, (v) \$1.2 million for payment of deferred debt issuance costs, SBIC debenture fees and other costs and (vi) and \$1.0 in net repayments on the Credit Facility.

Capital Resources

As of December 31, 2020, we had \$31.9 million in cash and cash equivalents and \$511.0 million of unused capacity under the Credit Facility, which we maintain to support our investment and operating activities. As of December 31, 2020, our net asset value totaled \$1,514.8 million, or \$22.35 per share.

The Credit Facility, which provides additional liquidity to support our investment and operational activities, includes total commitments of \$780.0 million from a diversified group of 19 lenders. The Credit Facility matures in September 2023 and contains an accordion feature, which allows us to increase the total commitments under the facility to up to \$800.0 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 and resetting on a monthly basis on the first of each month, on a per annum basis at a rate equal to the applicable LIBOR rate (0.2% as of the most recent reset date for the period ended December 31, 2020) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.25% as of December 31, 2020) plus 0.875%) as long as we meet certain agreed upon excess collateral and maximum leverage

requirements or (ii) 2.0% (or the applicable base rate plus 1.0%) otherwise. We pay unused commitment fees of 0.25% per annum on the unused lender commitments under the Credit Facility. The Credit Facility is secured by a first lien on the assets of MSCC and its subsidiaries, excluding the equity ownership or assets of the Funds and the External Investment Manager. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (i) maintaining a minimum availability of at least 10% of the borrowing base, (ii) maintaining an interest coverage ratio of at least 2.0 to 1.0, (iii) maintaining an asset coverage ratio (tangible net worth to Credit Facility borrowings) 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 2023, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval. As of December 31, 2020, we had \$269.0 million in borrowings outstanding under the Credit Facility, the interest rate on the Credit Facility was 2.0% and we were in compliance with all financial covenants of the Credit Facility.

Through the Funds, we have the ability to issue SBIC debentures guaranteed by the SBA at favorable interest rates and favorable terms and conditions. Under existing SBIC regulations, SBA-approved SBICs under common control have the ability to issue debentures guaranteed by the SBA up to a regulatory maximum amount of \$350.0 million. Under existing SBA-approved commitments, we had \$309.8 million of outstanding SBIC debentures guaranteed by the SBA as of December 31, 2020 through our wholly owned SBICs, which bear a weighted-average annual fixed interest rate of approximately 3.4%, paid semiannually, and mature ten years from issuance. The first maturity related to our SBIC debentures occurs in 2021, and the weighted-average remaining duration is approximately 5.4 years as of December 31, 2020. During the year ended December 31, 2020, Main Street issued \$40.0 million of SBIC debentures and prepaid \$42.0 million of existing SBIC debentures that were scheduled to mature over the next year as part of an effort to manage the maturity dates of the oldest SBIC debentures. Debentures guaranteed by the SBA have fixed interest rates that equal prevailing 10-year Treasury Note rates plus a market spread and have a maturity of ten years with interest payable semiannually. The principal amount of the debentures is not required to be paid before maturity, but may be pre-paid at any time with no prepayment penalty. We expect to issue new SBIC debentures under the SBIC program in the future in an amount up to the regulatory maximum amount for affiliated SBIC funds.

In November 2017, we issued \$185.0 million in aggregate principal amount of the 4.50% Notes at an issue price of 99.16%. The 4.50% Notes are scheduled to mature on December 1, 2022 and are unsecured obligations and rank pari passu with our current and future 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 may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semiannually on June 1 and December 1 of each year. We may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2020, the outstanding balance of the 4.50% Notes was \$185.0 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 Exchange Act. These covenants are subject to limitations and exceptions that are described in the 4.50% Notes Indenture.

In April 2019, we issued \$250.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 99.125%. Subsequently, in December 2019, we issued an additional \$75.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 105.0%. Also, in July 2020, we issued an additional \$125.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 102.674% of par, resulting in net proceeds to us of approximately \$127.3 million after underwriting discounts and estimated offering expenses payable by us. The 5.20% Notes issued in December 2019 and July 2020 have identical terms as, and are a part of a single series with, the 5.20% Notes issued in April 2019, all of which are scheduled to mature on May 1, 2024. The aggregate net proceeds from the

5.20% Notes issuances were used to repay a portion of the borrowings outstanding under the Credit Facility. The 5.20% 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 5.20% 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 5.20% Notes may be redeemed in whole or in part at any time at our option subject to certain make-whole provisions. The 5.20% Notes bear interest at a rate of 5.20% per year payable semiannually on May 1 and November 1 of each year. We may from time to time repurchase the 5.20% Notes in accordance with the 1940 Act and the rules promulgated thereunder. As of December 31, 2020, the outstanding balance of the 5.20% Notes was \$450.0 million.

The indenture governing the 5.20% Notes (the “5.20% 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 5.20% Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 5.20% Notes Indenture.

We maintain a program with certain selling agents through which we can sell shares of our common stock by means of at-the-market offerings from time to time (the “ATM Program”).

During the year ended December 31, 2020, we sold 2,645,778 shares of our common stock at a weighted-average price of \$32.10 per share and raised \$84.9 million of gross proceeds under the ATM Program. Net proceeds were \$83.8 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2020, sales transactions representing 87,179 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet but are included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate net asset value per share. As of December 31, 2020, 5,713,372 shares remained available for sale under the ATM Program.

During the year ended December 31, 2019, we sold 2,247,187 shares of our common stock at a weighted-average price of \$40.05 per share and raised \$90.0 million of gross proceeds under the ATM Program. Net proceeds were \$88.8 million after commissions to the selling agents on shares sold and offering costs.

We anticipate that we will continue to fund our investment activities through existing cash and cash equivalents, cash flows generated through our ongoing operating activities, utilization of available borrowings under our Credit Facility, 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.

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 2020 annual meeting of stockholders because our common stock price per share has generally traded significantly above the 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% (or 150% if certain requirements are met). This requirement limits the amount that we may borrow. In January 2008, we received an exemptive order from the SEC to exclude SBA-guaranteed debt securities issued by MSMF and any other wholly owned subsidiaries of ours which operate as SBICs from the asset coverage requirements of the 1940 Act as applicable to us, which, in turn, enables us to fund more investments with debt capital.

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

Recently Issued or Adopted Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe that the impact of recently issued standards and any that are not yet effective will not have a material impact on our consolidated financial statements upon adoption. For a description of recently issued or adopted accounting standards, see Note B.13 to the consolidated financial statements included in “Item 8. Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Inflation

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

Off-Balance Sheet Arrangements

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments include commitments to extend credit and fund equity capital and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At December 31, 2020, we had a total of \$137.1 million in outstanding commitments comprised of (i) forty-three 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 December 31, 2020, the future fixed commitments for cash payments in connection with our SBIC debentures, the 4.50% Notes, the 5.20% Notes and rent obligations under our office lease for each of the next five years and thereafter are as follows (dollars in thousands):

	2021	2022	2023	2024	2025	Thereafter	Total
SBIC debentures	\$ 40,000	\$ -	\$ 16,000	\$ 63,800	\$ -	\$ 190,000	\$ 309,800
Interest due on SBIC debentures	9,766	8,784	8,530	7,082	5,859	14,869	54,890
4.50% Notes due 2022	-	185,000	-	-	-	-	185,000
Interest due on 4.50% Notes due 2022	8,325	8,325	-	-	-	-	16,650
5.20% Notes due 2024	-	-	-	450,000	-	-	450,000
Interest due on 5.20% Notes due 2024	23,400	23,400	23,400	11,700	-	-	81,900
Operating Lease Obligation (1)	776	790	804	818	832	1,779	5,799
Total	\$ 82,267	\$ 226,299	\$ 48,734	\$ 533,400	\$ 6,691	\$ 206,648	\$ 1,104,039

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- (1) Operating Lease Obligation means a rent payment obligation under a lease classified as an operating lease and disclosed pursuant to ASC 842, as may be modified or supplemented.

As of December 31, 2020, we had \$269.0 million in borrowings outstanding under our Credit Facility, and the Credit Facility is currently scheduled to mature in September 2023. The Credit Facility contains two, one-year extension options which could extend the maturity to September 2025, subject to lender approval. See further discussion of the Credit Facility terms above in “—Liquidity and Capital Resources—Capital Resources.”

Related Party Transactions

As discussed further above, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of our Investment Portfolio. At December 31, 2020, we had a receivable of approximately \$3.5 million due from the External Investment Manager, which included approximately \$2.4 million related primarily to operating expenses incurred by us as required to support the External Investment Manager’s business and amounts due from the External Investment Manager to Main Street under a tax sharing agreement (see further discussion in Note D to the consolidated financial statements included in “Item 8. Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K) and approximately \$1.1 million of dividends declared but not paid by the External Investment Manager. 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 the External Investment Manager’s relationship with MSC Income and its other clients. See Note A.1 and Note D to the consolidated financial statements included in “Item 8. Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K for more information regarding the External Investment Manager.

In November 2015, our Board of Directors approved and adopted the Main Street Capital Corporation Deferred Compensation Plan (the “2015 Deferred Compensation Plan”). The 2015 Deferred Compensation Plan became effective on January 1, 2016 and replaced the Deferred Compensation Plan for Non-Employee Directors previously adopted by the Board of Directors in June 2013 (the “2013 Deferred Compensation Plan”). Under the 2015 Deferred Compensation Plan, non-employee directors and certain key employees may defer receipt of some or all of their cash compensation and directors’ fees, subject to certain limitations. Individuals participating in the 2015 Deferred Compensation Plan receive distributions of their respective balances based on predetermined payout schedules or other events as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan, including phantom Main Street stock units. As of December 31, 2020, \$11.9 million of compensation and dividend reinvestments net of unrealized gains and losses and distributions had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$5.2 million had been deferred into phantom Main Street stock units, representing 160,352 shares of our common stock. Any amounts deferred under the plan represented by phantom Main Street stock units will not be issued or included as outstanding on the consolidated statements of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but the related phantom stock units are included in weighted-average shares outstanding with the related dollar amount of the deferral included in total expenses in Main Street’s consolidated statements of operations as earned. The dividend amounts related to additional phantom stock units are included in the statements of changes in net assets as an increase to dividends to stockholders offset by a corresponding increase to additional paid-in capital.

In December 2020, the External Investment Manager entered into an Investment Management Agreement with the Private Loan Fund, pursuant to which the External Investment Manager provides investment advisory and management services to the Private Loan Fund in exchange for an asset-based fee and certain incentive fees. The Private Loan Fund is a private investment fund exempt from registration under the 1940 Act that invests in debt investments in middle market companies generally with EBITDA between \$7.5 million and \$50 million and generally owned by a private equity sponsor, which we generally refer to as “Private Loan” investments. In connection with the Private Loan Fund’s initial closing in December 2020, we committed to contribute up to \$10.0 million as a limited partner and will be entitled to distributions on such interest. In addition, certain of our officers and employees (and certain of their immediate family members) made capital commitments to the Private Loan Fund as limited partners and therefore have direct pecuniary interest in the Private Loan Fund.

From time to time, we may make investments in clients of the External Investment Manager in the form of debt capital on terms approved by our Board of Directors. In January 2021, we entered into a Term Loan Agreement with MSC Income (the “Term Loan Agreement”). The Term Loan Agreement was unanimously approved by our Board, including each director who is not an “interested person,” as such term is defined in Section 2(a)(19) of the 1940 Act and the board of directors of MSC Income, including each director who is not an “interested person” of MSC Income or the External Investment Manager. The Term Loan Agreement provides for a term loan of \$40.0 million to MSC Income, bearing interest at a fixed rate of 5.00% per annum, and matures in January 2026. Borrowings under the Term Loan Agreement are expressly subordinated and junior in right of payment to all secured indebtedness of MSC Income and are subject to a two-year no-call period that expires on January 27, 2023. Additionally, we have provided the Private Loan Fund with a revolving line of credit pursuant to an Unsecured Revolving Promissory Note, dated February 5, 2021 (the “Private Loan Fund Loan”), in an aggregate amount equal to the amount of limited partner capital commitments to the Private Loan Fund up to \$50.0 million. Borrowings under the Private Loan Fund Loan bear interest at a fixed rate of 5.00% per annum and will mature on the earlier of June 30, 2022 and the date of the Private Loan Fund’s final closing.

Recent Developments

In January 2021, we issued \$300.0 million in aggregate principal amount of 3.00% unsecured notes due July 14, 2026 (the “3.00% Notes”) at an issue price of 99.004%. The total net proceeds from the 3.00% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable, were approximately \$294.8 million.

During February 2021, we declared monthly dividends of \$0.205 per share for each month of April, May and June 2021. These monthly dividends equal a total of \$0.615 per share for the second quarter of 2021, unchanged from the monthly dividends paid in the second quarter of 2020. Including the monthly dividends declared for the second quarter of 2021, we will have paid \$30.830 per share in cumulative dividends since our October 2007 initial public offering.

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

We are subject to financial market risks, including changes in interest rates, and changes in interest rates may affect both our interest expense on the debt outstanding under our Credit Facility and our interest income from portfolio 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. See “Risk Factors — Risks Relating to Our Investments — Changes relating to the LIBOR calculation process, the phase-out of LIBOR and the use of replacement rates for LIBOR may adversely affect the value of our portfolio securities.” and “Risk Factors — Risks Relating to Our Investments — Changes in interest rates may affect our cost of capital, net investment income and value of our investments.” for more information regarding risks associated with our debt investments and borrowings that utilize LIBOR as a reference rate.

The majority of our debt investments are made with either fixed interest rates or floating rates that are subject to contractual minimum interest rates for the term of the investment. As of December 31, 2020, approximately 71% of our debt investment portfolio (at cost) bore interest at floating rates, 87% of which were subject to contractual minimum interest rates. Our interest expense will be affected by changes in the published LIBOR rate in connection with our Credit Facility; however, the interest rates on our outstanding SBIC debentures, and the outstanding Notes, which collectively comprise the majority of our outstanding debt, are fixed for the life of such debt. As of December 31, 2020, we had not entered into any interest rate hedging arrangements. Due to our limited use of derivatives, we have claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act and, therefore, are not subject to registration or regulation as a pool operator under such Act. 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 December 31, 2020.

Basis Point Change	Increase (Decrease) in Interest Income	(Increase) Decrease in Interest Expense	Increase (Decrease) in Net Investment Income	Increase (Decrease) in Net Investment Income per Share
	(dollars in thousands, except per share amounts)			
(150)	\$ (397)	\$ 416	\$ 19	\$ —
(125)	(397)	416	19	—
(100)	(388)	416	28	—
(75)	(380)	416	36	—
(50)	(371)	416	45	—
(25)	(363)	416	53	—
25	477	(673)	(196)	—
50	985	(1,345)	(360)	(0.01)
75	1,647	(2,018)	(371)	(0.01)
100	4,009	(2,690)	1,319	0.02
125	6,845	(3,363)	3,482	0.05
150	10,024	(4,035)	5,989	0.09

The hypothetical results assume that all LIBOR and prime rate changes would be effective on the first day of the period. However, the contractual LIBOR and prime rate reset dates would vary throughout the period, on either a monthly or quarterly basis, for both our investments and our Credit Facility. 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 8. Consolidated Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Main Street Capital Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the “Company”), including the consolidated schedule of investments, as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”) and the financial highlights for each of the five years in the period ended December 31, 2020. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations, changes in net assets and its cash flows for each of the three years in the period ended December 31, 2020, and the financial highlights for each of the five years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 26, 2021 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included verification by confirmation of securities as of December 31, 2020 and 2019, by correspondence with custodians, portfolio companies or agents, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair Value Investments

As described further in Note C to the financial statements, the Company's investments at fair value were \$2,684,866 thousand at December 31, 2020 and were measured using significant unobservable inputs and assumptions, categorized as Level 3 investments within the fair value hierarchy. Investment values are generally based on prices or valuation techniques, such as the income and market approach, that require inputs that are significant to the overall fair value measurement, and are observable in non-active markets or unobservable. The significant unobservable inputs disclosed by management include, among others, weighted-average cost of capital ("WACC") inputs and market multiples for equity investments, and risk adjusted discount rates, percentage of expected principal recovery and third-party quotes for debt investments. Changes in these assumptions could have a significant impact on the determination of fair value. As such, we identified fair value of investments as a critical audit matter.

The principal considerations for our determination that fair value of Level 3 investments are a critical audit matter are the significant management judgements used in developing complex valuation techniques and inherent estimation uncertainty. Auditing these investments requires a high degree of auditor judgement and subjectivity, in addition to the use of valuation professionals with specialized skills and knowledge, to evaluate the reasonableness of unobservable inputs and assumptions.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of controls over management's process to determine investment fair value. Specifically, we identified and tested key attributes of management's fair value determination review. These attributes addressed the relevance, adequacy and appropriateness of the data, assumptions, valuation methods, and mathematical accuracy used to determine investment fair value as of the reporting date.
- With the assistance of internal valuation specialists to evaluate and test management's process to develop the valuation estimates or develop an independent expectation, we performed substantive audit procedures to determine mathematical accuracy and to determine that the data, valuation methods, and significant unobservable inputs and assumptions used to determine investment fair value as of the Company's reporting date were reasonable. Certain key inputs/assumptions tested by us for a sample of investments, included the following:
 - enterprise values,
 - weighted average cost of capital ("WACC"),
 - discount rates,
 - forecasted cash flows and long-term growth rates,
 - discount for lack of marketability,
 - market multiples,
 - weighting between valuation techniques,
 - risk adjusted discount factor,
 - percentage of expected principal recovery,
 - third party quotes, in conjunction with other inputs, and

- third-party appraisals.
- In testing the above, we considered available third-party market information and published studies, current economic conditions and subsequent events, and other information that could be corroborated to source information.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2007.
Houston, Texas
February 26, 2021

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Main Street Capital Corporation

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Main Street Capital Corporation (a Maryland corporation) and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 Internal Control — Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and our report dated February 26, 2021 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and limitations of internal control over financial reporting

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

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

/s/ GRANT THORNTON LLP

Houston, Texas
February 26, 2021

MAIN STREET CAPITAL CORPORATION**Consolidated Balance Sheets**

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Investments at fair value:		
Control investments (cost: \$831,490 and \$778,367 as of December 31, 2020 and December 31, 2019, respectively)	\$ 1,113,725	\$ 1,032,721
Affiliate investments (cost: \$416,479 and \$351,764 as of December 31, 2020 and December 31, 2019, respectively)	366,301	330,287
Non-Control/Non-Affiliate investments (cost: \$1,268,740 and \$1,297,587 as of December 31, 2020 and December 31, 2019, respectively)	1,204,840	1,239,316
Total investments (cost: \$2,516,709 and \$2,427,718 as of December 31, 2020 and December 31, 2019, respectively)	2,684,866	2,602,324
Cash and cash equivalents	31,919	55,246
Interest receivable and other assets	49,761	50,458
Deferred financing costs (net of accumulated amortization of \$8,477 and \$7,501 as of December 31, 2020 and December 31, 2019, respectively)	2,818	3,521
Total assets	<u>\$ 2,769,364</u>	<u>\$ 2,711,549</u>
LIABILITIES		
Credit facility	\$ 269,000	\$ 300,000
SBIC debentures (par: \$309,800 (\$40,000 due within one year) and \$311,800 as of December 31, 2020 and December 31, 2019, respectively)	303,972	306,188
5.20% Notes due 2024 (par: \$450,000 and \$325,000 as of December 31, 2020 and December 31, 2019, respectively)	451,817	324,595
4.50% Notes due 2022 (par: \$185,000 as of both December 31, 2020 and December 31, 2019)	183,836	183,229
Accounts payable and other liabilities	20,833	24,532
Interest payable	8,658	7,292
Dividend payable	13,889	13,174
Deferred tax liability, net	2,592	16,149
Total liabilities	1,254,597	1,175,159
Commitments and contingencies (Note K)		
NET ASSETS		
Common stock, \$0.01 par value per share (150,000,000 shares authorized; 67,674,853 and 64,241,341 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively)	677	643
Additional paid-in capital	1,615,940	1,512,435
Total undistributed (overdistributed) earnings	(101,850)	23,312
Total net assets	1,514,767	1,536,390
Total liabilities and net assets	<u>\$ 2,769,364</u>	<u>\$ 2,711,549</u>
NET ASSET VALUE PER SHARE	<u>\$ 22.35</u>	<u>\$ 23.91</u>

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

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

	Twelve Months Ended December 31,		
	2020	2019	2018
INVESTMENT INCOME:			
Interest, fee and dividend income:			
Control investments	\$ 81,155	\$ 92,414	\$ 85,853
Affiliate investments	32,435	34,732	36,800
Non-Control/Non-Affiliate investments	109,024	116,227	110,702
Total investment income	222,614	243,373	233,355
EXPENSES:			
Interest	(49,587)	(50,258)	(43,493)
Compensation	(18,981)	(19,792)	(18,966)
General and administrative	(12,702)	(12,546)	(11,868)
Share-based compensation	(10,828)	(10,083)	(9,151)
Expenses allocated to the External Investment Manager	7,429	6,672	6,768
Total expenses	(84,669)	(86,007)	(76,710)
NET INVESTMENT INCOME	137,945	157,366	156,645
NET REALIZED GAIN (LOSS):			
Control investments	(59,594)	4,797	4,681
Affiliate investments	2,203	(565)	20
Non-Control/Non-Affiliate investments	(58,556)	(19,344)	(3,360)
Realized loss on extinguishment of debt	(534)	(5,689)	(2,896)
Total net realized loss	(116,481)	(20,801)	(1,555)
NET UNREALIZED APPRECIATION (DEPRECIATION):			
Control investments	37,924	(980)	37,826
Affiliate investments	(29,038)	990	12,062
Non-Control/Non-Affiliate investments	(14,968)	(10,214)	(31,907)
SBIC debentures	460	4,450	1,294
Total net unrealized appreciation (depreciation)	(5,622)	(5,754)	19,275
INCOME TAXES:			
Federal and state income, excise and other taxes	(590)	(3,546)	(319)
Deferred taxes	14,131	2,304	(5,833)
Income tax benefit (provision)	13,541	(1,242)	(6,152)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 29,383	\$ 129,569	\$ 168,213
NET INVESTMENT INCOME PER SHARE—BASIC AND DILUTED	\$ 2.10	\$ 2.50	\$ 2.60
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE—BASIC AND DILUTED	\$ 0.45	\$ 2.06	\$ 2.80
WEIGHTED AVERAGE SHARES OUTSTANDING—BASIC AND DILUTED	65,705,963	62,960,591	60,176,843

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

MAIN STREET CAPITAL CORPORATION

Consolidated Statements of Changes in Net Assets

(dollars in thousands, except shares)

	Common Stock		Additional Paid-In Capital	Total Undistributed Earnings	Total Net Asset Value
	Number of Shares	Par Value			
Balances at December 31, 2017	58,660,680	\$ 586	\$ 1,310,780	\$ 69,002	\$ 1,380,368
Public offering of common stock, net of offering costs	2,069,103	21	78,373	—	78,394
Share-based compensation	—	—	9,151	—	9,151
Purchase of vested stock for employee payroll tax withholding	(109,693)	(1)	(4,076)	—	(4,077)
Dividend reinvestment	394,403	4	14,870	—	14,874
Amortization of directors' deferred compensation	—	—	850	—	850
Issuance of restricted stock, net of forfeited shares	250,368	3	(3)	—	—
Dividends to stockholders	—	—	—	(171,724)	(171,724)
Net increase resulting from operations	—	—	—	168,213	168,213
Balances at December 31, 2018	<u>61,264,861</u>	<u>\$ 613</u>	<u>\$ 1,409,945</u>	<u>\$ 65,491</u>	<u>\$ 1,476,049</u>
Public offering of common stock, net of offering costs	2,259,729	23	89,246	—	89,269
Share-based compensation	—	—	10,083	—	10,083
Purchase of vested stock for employee payroll tax withholding	(103,730)	(1)	(3,941)	—	(3,942)
Dividend reinvestment	441,927	4	18,081	—	18,085
Amortization of directors' deferred compensation	—	—	866	—	866
Issuance of restricted stock, net of forfeited shares	390,150	4	(4)	—	—
Dividends to stockholders	—	—	401	(183,990)	(183,589)
Reclassification for certain permanent book-to-tax differences	—	—	(12,242)	12,242	—
Net increase resulting from operations	—	—	—	129,569	129,569
Balances at December 31, 2019	<u>64,252,937</u>	<u>\$ 643</u>	<u>\$ 1,512,435</u>	<u>\$ 23,312</u>	<u>\$ 1,536,390</u>
Public offering of common stock, net of offering costs	2,662,777	27	84,354	—	84,381
Share-based compensation	—	—	10,828	—	10,828
Purchase of vested stock for employee payroll tax withholding	(89,447)	(1)	(1,890)	—	(1,891)
Dividend reinvestment	517,796	4	16,230	—	16,234
Amortization of directors' deferred compensation	—	—	853	—	853
Issuance of restricted stock, net of forfeited shares	417,969	4	(4)	—	—
Dividends to stockholders	—	—	385	(161,796)	(161,411)
Reclassification for certain permanent book-to-tax differences	—	—	(7,251)	7,251	—
Net increase resulting from operations	—	—	—	29,383	29,383
Balances at December 31, 2020	<u>67,762,032</u>	<u>\$ 677</u>	<u>\$ 1,615,940</u>	<u>\$ (101,850)</u>	<u>\$ 1,514,767</u>

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

MAIN STREET CAPITAL CORPORATION
Consolidated Statements of Cash Flows

(dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in net assets resulting from operations	\$ 29,383	\$ 129,569	\$ 168,213
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Investments in portfolio companies	(669,007)	(664,062)	(962,456)
Proceeds from sales and repayments of debt investments in portfolio companies	443,573	439,363	626,059
Proceeds from sales and return of capital of equity investments in portfolio companies	34,439	38,536	77,103
Net unrealized (appreciation) depreciation	5,622	5,754	(19,275)
Net realized loss	116,481	20,801	1,555
Accretion of unearned income	(11,756)	(12,070)	(14,724)
Payment-in-kind interest	(6,225)	(5,018)	(2,304)
Cumulative dividends	(1,791)	(2,382)	(2,301)
Share-based compensation expense	10,828	10,083	9,151
Amortization of deferred financing costs	2,513	3,717	3,299
Deferred tax (benefit) provision	(14,131)	(2,304)	5,833
Changes in other assets and liabilities:			
Interest receivable and other assets	4,599	(6,680)	(2,276)
Interest payable	1,366	1,251	768
Accounts payable and other liabilities	(2,846)	7,436	(1,356)
Deferred fees and other	2,868	2,172	3,645
Net cash used in operating activities	(54,084)	(33,834)	(109,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from public offering of common stock, net of offering costs	84,381	89,269	78,394
Proceeds from public offering of 5.20% Notes due 2024	125,000	325,000	-
Dividends paid	(144,462)	(164,278)	(156,048)
Proceeds from issuance of SBIC debentures	40,000	-	54,000
Repayments of SBIC debentures	(42,000)	(34,000)	(4,000)
Redemption of 6.125% Notes	-	-	(90,655)
Redemption of 4.50% Notes due 2019	-	(175,000)	-
Proceeds from credit facility	399,000	639,000	632,000
Repayments on credit facility	(430,000)	(640,000)	(395,000)
Debt issuance premiums (costs), net	729	(1,150)	(2,895)
Purchases of vested stock for employee payroll tax withholding	(1,891)	(3,942)	(4,077)
Net cash provided by financing activities	30,757	34,899	111,719
Net increase (decrease) in cash and cash equivalents	(23,327)	1,065	2,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	55,246	54,181	51,528
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 31,919	\$ 55,246	\$ 54,181
Supplemental cash flow disclosures:			
Interest paid	\$ 45,582	\$ 45,167	\$ 39,300
Taxes paid	\$ 3,136	\$ 2,300	\$ 5,112
Operating non-cash activities:			
Right-of-use assets obtained in exchange for operating lease liabilities	\$ -	\$ 5,240	\$ -
Non-cash financing activities:			
Shares issued pursuant to the DRIP	\$ 16,234	\$ 18,085	\$ 14,874

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

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)		
Control Investments (5)											
ASC Interests, LLC	August 1, 2013	Recreational and Educational Shooting Facility	Secured Debt	1,500	13.00%	7/31/2022	\$ 1,750	\$ 1,715	\$ 1,715		
			Member Units						\$ 1,500	\$ 1,120	
								<u>3,215</u>	<u>2,835</u>		
Analytical Systems Keeco, LLC	August 16, 2019	Manufacturer of Liquid and Gas Analyzers			12.00% (L+10.00%, Floor	8/16/2024	5,155	4,874	4,874 (9)		
			Secured Debt		2.00%)				3,200	3,200	
			Preferred Member Units	3,200					316	10 (27)	
			Warrants	420		8/16/2029		<u>8,390</u>	<u>8,084</u>		
ATS Workholding, LLC	(10)	March 10, 2014	Manufacturer of Machine Cutting Tools and Accessories	3,725,862	5.00%	11/16/2021	4,982	4,824	3,347 (14)		
								Secured Debt		3,726	-
			Preferred Member Units					<u>8,550</u>	<u>3,347</u>		
Project BarFly, LLC	(10)	August 31, 2015	Casual Restaurant Group	37	7.00%	10/31/2024	343	343	343		
								Secured Debt		<u>1,584</u>	<u>1,584</u>
			Member Units					<u>1,927</u>	<u>1,927</u>		
Bolder Panther Group, LLC	December 31, 2020	Consumer Goods and Fuel Retailer		140,000	10.50% (L+9.00%, Floor	12/31/2025	27,500	27,225	27,225 (9)		
			Secured Debt		1.50%)					10,194	10,194 (30)
			Class A Preferred Member Units		14.00%					<u>14,000</u>	<u>14,000 (30)</u>
			Class B Preferred Member Units							<u>51,419</u>	<u>51,419</u>
Bond-Coat, Inc.	December 28, 2012	Casing and Tubing Coating Services	Common Stock	57,508				6,350	2,040		
Brewer Crane Holdings, LLC	January 9, 2018	Provider of Crane Rental and Operating Services		2,950	11.00% (L+10.00%, Floor	1/9/2023	8,556	8,513	8,513 (9)		
			Secured Debt		1.00%)					<u>4,280</u>	<u>5,850 (8)</u>
			Preferred Member Units					<u>12,793</u>	<u>14,363</u>		
Bridge Capital Solutions Corporation	April 18, 2012	Financial Services and Cash Flow Solutions Provider	Secured Debt	17,742	13.00%	12/11/2024	8,813	8,403	8,403		
			Warrants		82		7/25/2026	2,132	3,220 (27)		
			Secured Debt			13.00%	12/11/2024	1,000	998	998 (30)	
			Preferred Member Units					<u>1,000</u>	<u>1,000 (8) (30)</u>		
								<u>12,533</u>	<u>13,621</u>		
Café Brazil, LLC	April 20, 2004	Casual Restaurant Group	Member Units	1,233				1,742	2,030 (8)		

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)
December 31, 2020
(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
California Splendor Holdings LLC	March 30, 2018	Processor of Frozen Fruits			9.00% (L+8.00%, Floor 1.00%)	3/30/2023	8,100	8,014	8,043 (9)
			Secured Debt		11.00% (L+10.00%, Floor 1.00%)	3/30/2023	28,000	27,854	27,789 (9)
			Preferred Member Units	6,725				8,255	8,255 (8)
			Preferred Member Units	6,157				10,775	6,241 (8)
									54,898
CBT Nuggets, LLC	June 1, 2006	Produces and Sells IT Training Certification Videos	Member Units	416			1,300	46,080 (8)	
Centre Technologies Holdings, LLC	January 4, 2019	Provider of IT Hardware Services and Software Solutions			12.00% (L+10.00%, Floor 2.00%)	1/4/2024	11,628	11,549	11,549 (9)
			Secured Debt					5,840	6,160
			Preferred Member Units	12,696				17,389	17,709
Chamberlin Holding LLC	February 26, 2018	Roofing and Waterproofing Specialty Contractor			9.00% (L+8.00%, Floor 1.00%)	2/26/2023	15,212	15,136	15,212 (9)
			Secured Debt	4,347				11,440	28,070 (8)
			Member Units	1,047,146				1,322	1,270 (8) (30)
								27,898	44,552
Charps, LLC	February 3, 2017	Pipeline Maintenance and Construction			10.00% (8.67% Cash, 1.33% PIK)	1/31/2024	9,388	7,641	8,475 (19)
			Unsecured Debt		15.00%	6/5/2022	669	669	669
			Secured Debt					400	10,520 (8)
			Preferred Member Units	1,600				8,710	19,664
Clad-Rex Steel, LLC	December 20, 2016	Specialty Manufacturer of Vinyl-Clad Metal			10.50% (L+9.50%, Floor 1.00%)	12/20/2021	10,880	10,853	10,853 (9)
			Secured Debt	717				7,280	8,610 (8)
			Member Units					1,100	1,100 (30)
			Secured Debt	800				210	530 (30)
			Member Units					19,443	21,093
CMS Minerals Investments	January 30, 2015	Oil & Gas Exploration & Production	Member Units	100			2,179	1,624 (30)	
Cody Pools, Inc.	March 6, 2020	Designer of Residential and Commercial Pools			12.25% (L+10.50%, Floor 1.75%)	3/6/2025	14,216	14,092	14,216 (9)
			Secured Debt					8,317	14,940
			Preferred Member Units	587				22,409	29,156
CompareNetworks Topco, LLC	January 29, 2019	Internet Publishing and Web Search Portals			12.00% (L+11.00%, Floor 1.00%)	1/29/2024	7,954	7,910	7,953 (9)
			Secured Debt					1,975	6,780 (8)
			Preferred Member Units	1,975				9,885	14,733

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)
December 31, 2020
(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Copper Trail Fund Investments	(12) (13)	July 17, 2017	Investment Partnership						
			LP Interests (CTMH, LP)	38.8%				747	747 (31)
Datacom, LLC	May 30, 2014	Technology and Telecommunications Provider							
			Secured Debt		8.00%	5/31/2021	1,800	1,800	1,615 (14)
			Secured Debt		10.50% PIK	5/31/2021	12,507	12,475	10,531 (14) (19)
			Class A Preferred Member Units	-				1,294	-
			Class B Preferred Member Units	6,453				6,030	-
								<u>21,599</u>	<u>12,146</u>
Digital Products Holdings LLC	April 1, 2018	Designer and Distributor of Consumer Electronics							
			Secured Debt		11.00% (L+10.00%, Floor 1.00%)	4/1/2023	18,173	18,077	18,077 (9)
			Preferred Member Units	3,857				9,501	9,835 (8)
								<u>27,578</u>	<u>27,912</u>
Direct Marketing Solutions, Inc.	February 13, 2018	Provider of Omni-Channel Direct Marketing Services							
			Secured Debt		12.00% (L+11.00%, Floor 1.00%)	2/13/2023	15,090	15,007	15,007 (9)
			Preferred Stock	8,400				8,400	19,380
								<u>23,407</u>	<u>34,387</u>
Gamber-Johnson Holdings, LLC ("GJH")	June 24, 2016	Manufacturer of Ruggedized Computer Mounting Systems							
			Secured Debt		9.00% (L+7.00%, Floor 2.00%)	6/24/2021	19,838	19,807	19,838 (9)
			Member Units	8,619				14,844	52,490 (8)
								<u>34,651</u>	<u>72,328</u>
Garreco, LLC	July 15, 2013	Manufacturer and Supplier of Dental Products							
			Secured Debt		9.00% (L+8.00%, Floor 1.00%, Ceiling 1.50%)	1/31/2021	4,519	4,519	4,519 (9)
			Member Units	1,200				1,200	1,410
								<u>5,719</u>	<u>5,929</u>
GRT Rubber Technologies LLC ("GRT")	December 19, 2014	Manufacturer of Engineered Rubber Products							
			Secured Debt		7.15% (L+7.00%)	12/31/2023	16,775	16,775	16,775
			Member Units	5,879				13,065	44,900 (8)
								<u>29,840</u>	<u>61,675</u>
Gulf Manufacturing, LLC	August 31, 2007	Manufacturer of Specialty Fabricated Industrial Piping Products							
			Member Units	438				2,980	4,510 (8)
Gulf Publishing Holdings, LLC	April 29, 2016	Energy Industry Focused Media and Publishing							
			Secured Debt		10.50% (5.25% Cash, 5.25% PIK) (L+9.50%, Floor 1.00%)	9/30/2020	250	250	250 (9) (17) (19)
			Secured Debt		12.50% (6.25% Cash, 6.25% PIK)	4/29/2021	13,147	13,135	12,044 (19)
			Member Units	3,681				3,681	-
								<u>17,066</u>	<u>12,294</u>

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Harris Preston Fund Investments	(12) (13)	October 1, 2017	Investment Partnership	LP Interests (2717 MH, L.P.)	49.3%			2,599	2,702 (31)
				LP Interests (2717 HPP-MS, L.P.)	49.3%			250	250 (31)
								<u>2,849</u>	<u>2,952</u>
Harrison Hydra-Gen, Ltd.	June 4, 2010	Manufacturer of Hydraulic Generators	Common Stock	107,456			718	5,450 (8)	
Jensen Jewelers of Idaho, LLC	November 14, 2006	Retail Jewelry Store	Secured Debt		10.00% (Prime+6.75%, Floor 2.00%)	11/14/2023	3,400	3,374	3,400 (9)
			Member Units	627			811	7,620 (8)	
							<u>4,185</u>	<u>11,020</u>	
J&J Services, Inc.	October 31, 2019	Provider of Dumpster and Portable Toilet Rental Services	Secured Debt		11.50%	10/31/2024	12,800	12,697	12,800
			Preferred Stock	2,814			7,085	12,680	
							<u>19,782</u>	<u>25,480</u>	
KBK Industries, LLC	January 23, 2006	Manufacturer of Specialty Oilfield and Industrial Products	Member Units	325				783	13,200 (8)
Kickhaefer Manufacturing Company, LLC	October 31, 2018	Precision Metal Parts Manufacturing	Secured Debt		11.50%	10/31/2023	22,415	22,269	22,269
			Member Units	581			12,240	12,240	
			Secured Debt		9.00%	10/31/2048	3,948	3,909	3,909
			Member Units	800			992	1,160 (8) (30)	
							<u>39,410</u>	<u>39,578</u>	
Market Force Information, LLC	July 28, 2017	Provider of Customer Experience Management Services	Secured Debt		12.00% (L+11.00%, Floor 1.00%)	7/28/2023	1,600	1,600	1,600 (9)
			Secured Debt		12.00% PIK	7/28/2023	26,079	25,952	13,562 (14) (19)
			Member Units	743,921			16,642	-	
							<u>44,194</u>	<u>15,162</u>	
MH Corbin Holding LLC	August 31, 2015	Manufacturer and Distributor of Traffic Safety Products	Secured Debt		13.00% (10.00% Cash, 3.00% PIK)	3/31/2022	8,570	8,527	8,280 (19)
			Preferred Member Units	66,000			4,400	2,370	
			Preferred Member Units	4,000			6,000	-	
							<u>18,927</u>	<u>10,650</u>	
MSC Adviser I, LLC	(16)	November 22, 2013	Third Party Investment Advisory Services	Member Units				29,500	116,760 (8) (31)
Mystic Logistics Holdings, LLC	August 18, 2014	Logistics and Distribution Services Provider for Large Volume Mailers	Secured Debt		12.00%	1/17/2022	6,733	6,723	6,723
			Common Stock	5,873			2,720	8,990 (8)	
							<u>9,443</u>	<u>15,713</u>	
NAPCO Precast, LLC	January 31, 2008	Precast Concrete Manufacturing	Member Units	2,955				2,975	16,100 (8)

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Nebraska Vet AcquireCo, LLC (NVS)	December 31, 2020	Mixed-Animal Veterinary and Animal Health Product Provider	Secured Debt		12.00%	12/31/2025	10,500	10,395	10,395
			Preferred Member Units	6,500				<u>6,500</u>	<u>6,500</u>
								<u>16,895</u>	<u>16,895</u>
NexRev LLC	February 28, 2018	Provider of Energy Efficiency Products & Services	Secured Debt		11.00%	2/28/2023	17,097	17,016	16,726
			Preferred Member Units	86,400,000				<u>6,880</u>	<u>1,470</u> (8)
								<u>23,896</u>	<u>18,196</u>
NRI Clinical Research, LLC	September 8, 2011	Clinical Research Service Provider	Secured Debt		9.00%	6/8/2022	5,620	5,572	5,620
			Warrants	251,723		6/8/2027		252	1,490 (27)
			Member Units	1,454,167				<u>765</u>	<u>5,600</u> (8)
								<u>6,589</u>	<u>12,710</u>
NRP Jones, LLC	December 22, 2011	Manufacturer of Hoses, Fittings and Assemblies	Secured Debt		12.00%	3/20/2023	2,080	2,080	2,080
			Member Units	65,962				<u>3,717</u>	<u>2,821</u> (8)
								<u>5,797</u>	<u>4,901</u>
NuStep, LLC	January 31, 2017	Designer, Manufacturer and Distributor of Fitness Equipment	Secured Debt		12.00%	1/31/2022	17,240	17,193	17,193
			Preferred Member Units	406				<u>10,200</u>	<u>10,780</u>
								<u>27,393</u>	<u>27,973</u>
OMi Holdings, Inc.	April 1, 2008	Manufacturer of Overhead Cranes	Common Stock	1,500				1,080	20,380 (8)
Pearl Meyer Topco LLC	April 27, 2020	Provider of Executive Compensation Consulting Services	Secured Debt		12.00%	4/27/2025	37,513	37,202	37,202
			Member Units	13,800				<u>13,000</u>	<u>15,940</u> (8)
								<u>50,202</u>	<u>53,142</u>
Pegasus Research Group, LLC	January 6, 2011	Provider of Telemarketing and Data Services	Member Units	460				1,290	8,830 (8)
PPL RVs, Inc.	June 10, 2010	Recreational Vehicle Dealer	Secured Debt		7.50% (L+7.00%, Floor 0.50%)	11/15/2022	11,855	11,781	11,806 (9)
			Common Stock	2,000				<u>2,150</u>	<u>11,500</u> (8)
								<u>13,931</u>	<u>23,306</u>
Principle Environmental, LLC (d/b/a TruHorizon Environmental Solutions)	February 1, 2011	Noise Abatement Service Provider	Secured Debt		13.00%	4/30/2023	6,397	6,335	6,397
			Preferred Member Units	19,631				4,600	10,500 (8)
			Warrants	1,018		1/31/2021		<u>1,200</u>	<u>870</u> (27)
								<u>12,135</u>	<u>17,767</u>
Quality Lease Service, LLC	June 8, 2015	Provider of Rigsite Accommodation Unit Rentals and Related Services	Member Units	1,000				11,063	4,460

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
River Aggregates, LLC	March 30, 2011	Processor of Construction Aggregates	Member Units	1,500				369	3,240 (30)
Tedder Industries, LLC	August 31, 2018	Manufacturer of Firearm Holsters and Accessories	Secured Debt Preferred Member Units	479	12.00%	8/31/2023	16,400	16,301 8,136	16,301 8,136
								24,437	24,437
Trantech Radiator Topco, LLC	May 31, 2019	Transformer Cooling Products and Services	Secured Debt Common Stock	615	12.00%	5/31/2024	8,720	8,644 4,655	8,644 6,030 (8)
								13,299	14,674
UnionRock Energy Fund II, LP	(12) (13) June 15, 2020	Oil & Gas Exploration & Production	LP Interests	49.6%				2,894	2,894 (31)
Vision Interests, Inc.	June 5, 2007	Manufacturer / Installer of Commercial Signage	Secured Debt Series A Preferred Stock	3,000,000	13.00%	9/30/2019	2,028	2,028 3,000	2,028 (17) 3,160
								5,028	5,188
Ziegler's NYPD, LLC	October 1, 2008	Casual Restaurant Group	Secured Debt		6.50%	10/1/2022	1,000	1,000	979
			Secured Debt		12.00%	10/1/2022	625	625	625
			Secured Debt		14.00%	10/1/2022	2,750	2,750	2,750
			Warrants	587		10/1/2025		600	- (27)
			Preferred Member Units	10,072				2,834	1,780
								7,809	6,134
Subtotal Control Investments (73.5% of net assets at fair value)								\$ 831,490	\$ 1,113,725

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Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Affiliate Investments (6)									
AAC Holdings, Inc.	(11)	June 30, 2017	Substance Abuse Treatment Service Provider		18.00% (10.00% Cash, 8.00% PIK)	6/25/2025	9,406	9,187	9,187 (19)
			Secured Debt					3,148	3,148
			Common Stock	593,928				-	2,938 (27)
			Warrants	554,353		12/11/2025		12,335	15,273
AFG Capital Group, LLC		November 7, 2014	Provider of Rent-to-Own Financing Solutions and Services		10.00%	5/25/2022	491	491	491
			Secured Debt Preferred Member Units	186				1,200	5,810
								1,691	6,301
American Trailer Rental Group LLC		June 7, 2017	Provider of Short-term Trailer and Container Rental					8,596	16,010 (30)
			Member Units	73,493					
BBB Tank Services, LLC		April 8, 2016	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market		12.00% (L+11.00%, Floor 1.00%)	4/8/2021	4,800	4,773	4,722 (9)
			Unsecured Debt Preferred Stock (non-voting)		15.00% PIK			151	151 (8) (19)
			Member Units	800,000				800	280
								5,724	5,153
Bocella Precast Products LLC		June 30, 2017	Manufacturer of Precast Hollow Core Concrete					2,256	6,040 (8)
			Member Units	2,160,000					
Buca C, LLC		June 30, 2015	Casual Restaurant Group		10.25% (L+9.25%, Floor 1.00%)	6/30/2020	19,004	19,004	14,256 (9) (17)
			Secured Debt Preferred Member Units	6	6.00% PIK			4,770	- (8) (19)
								23,774	14,256
CAI Software LLC		October 10, 2014	Provider of Specialized Enterprise Resource Planning Software		12.50%	12/7/2023	47,474	47,133	47,474
			Secured Debt Member Units	77,960				2,095	7,190 (8)
								49,228	54,664
Chandler Signs Holdings, LLC	(10)	January 4, 2016	Sign Manufacturer					1,500	1,460
			Class A Units	1,500,000					
Charlotte Russe, Inc	(11)	May 28, 2013	Fast-Fashion Retailer to Young Women					3,141	-
			Common Stock	19,041					
Classic H&G Holdings, LLC		March 12, 2020	Provider of Engineered Packaging Solutions		12.00%	3/12/2025	24,800	24,583	24,800
			Secured Debt Preferred Member Units	154				5,760	9,510 (8)
								30,343	34,310

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
Congruent Credit Opportunities Funds	(12) (13)	January 24, 2012	Investment Partnership	LP Interests (Congruent Credit Opportunities Fund II, LP)	19.8%			4,449	94 (31)	
				LP Interests (Congruent Credit Opportunities Fund III, LP)	17.4%			11,741	11,540 (8) (31)	
								16,190	11,634	
Copper Trail Fund Investments	(12) (13)	July 17, 2017	Investment Partnership	LP Interests (Copper Trail Energy Fund I, LP)	12.4%			2,161	1,782 (8) (31)	
Dos Rios Partners	(12) (13)	April 25, 2013	Investment Partnership	LP Interests (Dos Rios Partners, LP)	20.2%			6,605	5,417 (31)	
				LP Interests (Dos Rios Partners - A, LP)	6.4%			2,097	1,720 (31)	
								8,702	7,137	
East Teak Fine Hardwoods, Inc.		April 13, 2006	Distributor of Hardwood Products	Common Stock	6,250			480	300	
EIG Fund Investments	(12) (13)	November 6, 2015	Investment Partnership	LP Interests (EIG Global Private Debt Fund-A, L.P.)	11.1%			739	526 (8) (31)	
Freeport Financial Funds	(12) (13)	June 13, 2013	Investment Partnership	LP Interests (Freeport Financial SBIC Fund LP)	9.3%			5,974	5,264 (31)	
				LP Interests (Freeport First Lien Loan Fund III LP)	6.0%			10,785	10,321 (8) (31)	
								16,759	15,585	
Harris Preston Fund Investments	(12) (13)	August 9, 2017	Investment Partnership	LP Interests (HPEP 3, L.P.)	8.2%			3,071	3,258 (31)	
Hawk Ridge Systems, LLC	(13)	December 2, 2016	Value-Added Reseller of Engineering Design and Manufacturing Solutions	Secured Debt		11.00%	12/2/2023	18,400	18,366	18,400
				Preferred Member Units	226				2,850	8,030 (8)
				Preferred Member Units	226				150	420 (30)
							21,366	26,850		
Houston Plating and Coatings, LLC		January 8, 2003	Provider of Plating and Industrial Coating Services	Unsecured Convertible Debt Member Units	322,297	8.00%	5/1/2022	3,000	3,000	2,900
								2,352	5,080 (8)	
								5,352	7,980	
I-45 SLF LLC	(12) (13)	October 20, 2015	Investment Partnership	Member Units (Fully diluted 20.0%; 24.40% profits interest) (8)	20.00% Fully Diluted, 24.40% Profits Interest			20,200	15,789 (8) (31)	

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Consolidated Schedule of Investments (Continued)
December 31, 2020
(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
L.F. Manufacturing Holdings, LLC	(10)	December 23, 2013	Manufacturer of Fiberglass Products	Preferred Member Units (non-voting)		14.00% PIK		93	93 (8) (19)	
				Member Units	2,179,001			2,019	2,050	
								2,112	2,143	
OnAsset Intelligence, Inc.	April 18, 2011	Provider of Transportation Monitoring / Tracking Products and Services	Secured Debt		12.00% PIK	6/30/2021	7,301	7,301	7,301 (19)	
			Unsecured Debt		10.00% PIK	6/30/2021	64	64	64 (19)	
			Preferred Stock	912				1,981	-	
			Warrants	5,333		4/18/2021		1,919	- (27)	
							11,265	7,365		
PCI Holding Company, Inc.	December 18, 2012	Manufacturer of Industrial Gas Generating Systems	Preferred Stock	1,500,000				3,927	4,130	
Rocaccia, LLC (Quality Lease and Rental Holdings, LLC)	January 8, 2013	Provider of Rigsite Accommodation Unit Rentals and Related Services	Secured Debt		12.00%	1/8/2018	30,369	29,865	- (14) (32)	
			Preferred Member Units	250				2,500	-	
							32,365	-		
Salado Stone Holdings, LLC	(10)	June 27, 2016	Limestone and Sandstone Dimension Cut Stone Mining Quarries	Class A Preferred Units	2,000,000			2,000	1,250 (30)	
Slick Innovations, LLC	September 13, 2018	Text Message Marketing Platform	Secured Debt		13.00%	9/13/2023	5,720	5,605	5,719	
			Common Stock	70,000				700	1,330	
			Warrants	18,084		9/13/2028		181	360 (27)	
						6,486	7,409			
SI East, LLC	August 31, 2018	Rigid Industrial Packaging Manufacturing	Secured Debt		9.50%	8/31/2023	32,963	32,760	32,962	
			Preferred Member Units	157				6,000	9,780 (8)	
							38,760	42,742		
Superior Rigging & Erecting Co.	August 31, 2020	Provider of Steel Erecting, Crane Rental & Rigging Services	Secured Debt		12.00%	8/31/2025	21,500	21,298	21,298	
			Preferred Member Units	1,473				4,500	4,500	
							25,798	25,798		
UniTek Global Services, Inc.	(11)	April 15, 2011	Provider of Outsourced Infrastructure Services			7.50% (L+6.50% Floor 1.00%)	8/20/2024	2,708	2,687	2,426 (9)
				Secured Debt		20.00% PIK			1,441	2,832 (8) (19)
				Preferred Stock	1,133,102	20.00% PIK			2,188	375 (8) (19)
				Preferred Stock	2,281,682	19.00% PIK			3,667	- (19)
				Preferred Stock	4,336,866	13.50% PIK			7,924	- (19)
				Common Stock	945,507				-	-
						17,907	5,633			

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
Universal Wellhead Services Holdings, LLC (10)	October 30, 2014	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Preferred Member Units	716,949	14.00% PIK			1,032	- (19) (30)	
			Member Units	4,000,000				4,000	- (30)	
								<u>5,032</u>	<u>-</u>	
Volusion, LLC	January 26, 2015	Provider of Online Software-as-a-Service eCommerce Solutions	Secured Debt		11.50%	1/26/2020	20,234	20,234	19,242 (17)	
			Unsecured Convertible Debt		8.00%	11/16/2023	409	409	291	
			Preferred Member Units	4,876,670				14,000	5,990	
			Warrants	1,831,355		1/26/2025		<u>2,576</u>	<u>-</u>	(27)
								<u>37,219</u>	<u>25,523</u>	
Subtotal Affiliate Investments (24.2% of net assets at fair value)							<u>\$ 416,479</u>	<u>\$ 366,301</u>		

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Consolidated Schedule of Investments (Continued)

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Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Non-Control/Non-Affiliate Investments (7)									
Acousti Engineering Company of Florida, Inc.	(10)	November 2, 2020	Interior Subcontractor Providing Acoustical Walls and Ceilings		10.00% (L+8.50%, Floor 1.50%)	10/31/2025	13,000	12,858	12,858 (9)
Adams Publishing Group, LLC	(10)	November 19, 2015	Local Newspaper Operator		8.75% (L+7.00%, Floor 1.75%)	7/3/2023	5,863	5,745	5,813 (9)
ADS Tactical, Inc.	(10)	March 7, 2017	Value-Added Logistics and Supply Chain Provider to the Defense Industry		7.00% (L+6.25%, Floor 0.75%)	7/26/2023	19,633	19,529	19,633 (9)
Aethon United BR LP	(10)	September 8, 2017	Oil & Gas Exploration & Production		7.75% (L+6.75%, Floor 1.00%)	9/8/2023	9,750	9,659	9,544 (9)
Affordable Care Holding Corp.	(10)	May 9, 2019	Dental Support Organization		5.75% (L+4.75%, Floor 1.00%)	10/22/2022	14,246	14,066	14,044 (9)
ALKU, LLC.	(11)	October 18, 2019	Specialty National Staffing Operator		5.75% (L+5.50%)	7/29/2026	9,466	9,385	9,478
American Nuts, LLC	(10)	April 10, 2018	Roaster, Mixer and Packager of Bulk Nuts and Seeds		9.00% (L+8.00%, Floor 1.00%)	4/10/2023	12,130	11,954	12,111 (9)
American Teleconferencing Services, Ltd.	(11)	May 19, 2016	Provider of Audio Conferencing and Video Collaboration Solutions		7.50% (L+6.50%, Floor 1.00%)	6/8/2023	17,358	16,634	8,071 (9)
APTIM Corp.	(11)	August 17, 2018	Engineering, Construction & Procurement		7.75%	6/15/2025	12,452	11,063	9,734
Arcus Hunting LLC	(10)	January 6, 2015	Manufacturer of Bowhunting and Archery Products and Accessories		11.00% (L+10.00%, Floor 1.00%)	3/31/2021	11,009	11,009	11,009 (9)
Arrow International, Inc	(10)	December 21, 2020	Manufacturer and Distributor of Charitable Gaming Supplies		9.23% (L+7.98%, Floor 1.25%)	12/21/2025	10,000	9,901	9,901 (9) (23)
ASC Ortho Management Company, LLC (10)	(10)	August 31, 2018	Provider of Orthopedic Services		8.50% (L+7.50%, Floor 1.00%)	8/31/2023	5,206	5,148	5,149 (9)
					13.25% PIK	12/1/2023	2,116	2,091	2,116 (19)
							7,239	7,265	

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
ATX Networks Corp.	(11) (13) (21)	June 30, 2015	Provider of Radio Frequency Management Equipment		8.75% (7.25% Cash, 1.50% PIK) (1.50% PIK + L+6.25%, Floor 1.00%)	12/31/2023	13,402	13,342	12,263 (9) (19)	
				Secured Debt						
Berry Aviation, Inc.	(10)	July 6, 2018	Charter Airline Services		12.00% (10.50% Cash, 1.5% PIK)	1/6/2024	4,624	4,595	4,624 (19)	
				Secured Debt					145	145 (8) (19) (30)
				Preferred Member Units	122,416	16.00% PIK			1,671	904 (19) (30)
				1,548,387	8.00% PIK			6,411	5,673	
BigName Commerce, LLC	(10)	May 11, 2017	Provider of Envelopes and Complimentary Stationery Products		8.25% (L+7.25%, Floor 1.00%)	5/11/2022	2,044	2,037	2,011 (9)	
Binswanger Enterprises, LLC	(10)	March 10, 2017	Glass Repair and Installation Service Provider		9.50% (L+8.50%, Floor 1.00%)	3/9/2022	12,958	12,798	12,958 (9)	
				Secured Debt Member Units	1,050,000				1,050	670
							13,848	13,628		
BLST Operating Company, LLC.	(11)	December 19, 2013	Multi-Channel Retailer of General Merchandise		10.00% (L+8.50%, Floor 1.50%)	8/28/2025	5,879	5,879	5,879 (9)	
				Secured Debt					-	-
				Common Stock Warrants	653		8/28/2030		-	(27)
				70			5,879	5,879		
Brainworks Software, LLC	(10)	August 12, 2014	Advertising Sales and Newspaper Circulation Software		12.50% (Prime+9.25%, Floor 3.25%)	7/22/2019	7,817	7,817	5,332 (9) (14) (17)	
Brightwood Capital Fund Investments	(12) (13)	July 21, 2014	Investment Partnership							
				LP Interests (Brightwood Capital Fund III, LP)	1.6%				10,800	8,459 (8) (31)
				LP Interests (Brightwood Capital Fund IV, LP)	0.6%				5,000	4,745 (8) (31)
							15,800	13,204		
Cadence Aerospace LLC	(10)	November 14, 2017	Aerostructure Manufacturing		9.50% (4.25% Cash, 5.25% PIK) (5.25% PIK + L+3.25%, Floor 1.00%)	11/14/2023	27,703	27,484	26,359 (9) (19)	
				Secured Debt						

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Consolidated Schedule of Investments (Continued)
December 31, 2020
(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
California Pizza Kitchen, Inc.	(11)	Casual Restaurant Group	Secured Debt		11.50% (L+10.00%, Floor 1.50%)	11/23/2024	7,700	7,288	7,315 (9)
			Secured Debt		13.50% (1.00% Cash, 12.50% PIK) (1.00% Cash, L+11.00% PIK, Floor 1.50%)	11/23/2024	2,657	2,590	2,524 (9) (19)
			Secured Debt		15.00% (1.00% Cash, 14.00% PIK) (1.00% Cash + L+12.50% PIK, Floor 1.50%)	5/23/2025	2,291	2,291	1,833 (9) (19)
			Common Stock	169,088					949
							13,118	13,532	
Central Security Group, Inc.	(11)	Security Alarm Monitoring Service Provider	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	10/16/2025	6,891	6,891	5,823 (9)
			Common Stock	329,084					1,481
							8,372	7,468	
Cenveo Corporation	(11)	Provider of Digital Marketing Agency Services	Secured Debt		10.50% (L+9.50%, Floor 1.00%)	6/7/2023	5,250	5,129	4,909 (9)
			Common Stock	177,130					5,309
							10,438	7,522	
Chisholm Energy Holdings, LLC	(10)	May 15, 2019	Oil & Gas Exploration & Production		7.75% (L+6.25%, Floor 1.50%)	5/15/2026	3,571	3,498	3,274 (9)
Clarius BIGS, LLC	(10)	September 23, 2014	Prints & Advertising Film Financing		15.00% PIK	1/5/2015	2,832	2,832	31 (14) (17) (19)
Clickbooth.com, LLC	(10)	December 5, 2017	Provider of Digital Advertising Performance Marketing Solutions		9.50% (L+8.50%, Floor 1.00%)	1/31/2025	7,850	7,750	7,850 (9)
Construction Supply Investments, LLC	(10)	December 29, 2016	Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors					5,637	8,617
			Member Units						
Copper Trail Fund Investments	(12) (13)	July 17, 2017	Investment Partnership					-	67
			LP Interests (CTEF I, LP)	375					
Corel Corporation	(11) (13) (21)	July 24, 2019	Publisher of Desktop and Cloud-based Software		5.23% (L+5.00%)	7/2/2026	19,403	18,580	19,124
Darr Equipment LP	(10)	April 15, 2014	Heavy Equipment Dealer		12.50% (11.50% Cash, 1.00% PIK)	6/22/2023	5,959	5,959	5,959 (19)
			Secured Debt			12/23/2023		474	(29)
			Warrants	915,734				6,433	5,959

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Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
Digital River, Inc.	(11)	February 24, 2015	Provider of Outsourced e-Commerce Solutions and Services							
				Secured Debt		8.00% (L+7.00%, Floor 1.00%)	2/12/2023	13,628	13,422	13,560 (9)
DTE Enterprises, LLC	(10)	April 13, 2018	Industrial Powertrain Repair and Services							
				Secured Debt		10.00% (L+8.50%, Floor 1.50%)	4/13/2023	9,324	9,213	9,004 (9)
				Class AA Preferred Member Units (non-voting)		10.00% PIK			951	951 (8) (19)
			Class A Preferred Member Units	776,316			776	880		
							10,940	10,835		
Dynamic Communities, LLC	(10)	July 17, 2018	Developer of Business Events and Online Community Groups		12.50% (6.25% Cash, 6.25% PIK) (L+11.50%, Floor 1.00%)	7/17/2023	5,320	5,256	4,921 (9) (19)	
Eastern Wholesale Fence LLC	(10)	November 19, 2020	Manufacturer and Distributor of Residential and Commercial Fencing Solutions		7.50% (L+6.50%, Floor 1.00%)	10/30/2025	11,857	11,523	11,523 (9)	
Echo US Holdings, LLC.	(10)	November 12, 2019	Developer and Manufacturer of PVC and Polypropylene Materials		7.88% (L+6.25%, Floor 1.63%)	10/25/2024	22,190	22,090	22,190 (9)	
Electronic Transaction Consultants, LLC (10)		July 24, 2020	Technology Service Provider for Toll Road and Infrastructure Operators		8.50% (L+7.50%, Floor 1.00%)	7/24/2025	10,000	9,829	9,829 (9)	
EnCap Energy Fund Investments	(12) (13)	December 28, 2010	Investment Partnership	LP Interests (EnCap Energy Capital Fund VIII, L.P.)	0.1%			3,813	959 (31)	
				LP Interests (EnCap Energy Capital Fund VIII Co-Investors, L.P.)	0.4%			2,097	465 (31)	
				LP Interests (EnCap Energy Capital Fund IX, L.P.)	0.1%			4,366	1,291 (8) (31)	
				LP Interests (EnCap Energy Capital Fund X, L.P.)	0.1%			8,720	6,426 (8) (31)	
				LP Interests (EnCap Flatrock Midstream Fund II, L.P.)	0.8%			6,706	2,546 (8) (31)	
				LP Interests (EnCap Flatrock Midstream Fund III, L.P.)	0.2%			6,982	5,793 (8) (31)	
								32,684	17,480	
Encino Acquisition Partners Holdings, Inc.	(11)	November 16, 2018	Oil & Gas Exploration & Production		7.75% (L+6.75%, Floor 1.00%)	10/29/2025	9,000	8,932	8,297 (9)	

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Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)		Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
EPIC Y-Grade Services, LP	(11)	June 22, 2018	NGL Transportation & Storage	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	6/30/2027	6,944	6,854	5,799 (9)
Fortna, Inc.	(10)	July 23, 2019	Process, Physical Distribution and Logistics Consulting Services	Secured Debt		5.15% (L+5.00%)	4/8/2025	7,673	7,553	7,486
Fuse, LLC	(11)	June 30, 2019	Cable Networks Operator	Secured Debt Common Stock	10,429	12.00%	6/28/2024	1,810	1,810 256	1,472 -
									2,066	1,472
GeoStabilization International (GSI)	(11)	December 31, 2018	Geohazard Engineering Services & Maintenance	Secured Debt		5.40% (L+5.25%)	12/19/2025	11,224	11,137	11,196
GoWireless Holdings, Inc.	(11)	December 31, 2017	Provider of Wireless Telecommunications Carrier Services	Secured Debt		7.50% (L+6.50%, Floor 1.00%)	12/22/2024	17,113	16,988	16,976 (9)
Grupo Hima San Pablo, Inc.	(11)	March 7, 2013	Tertiary Care Hospitals	Secured Debt Secured Debt		9.25% (L+7.00%, Floor 1.50%) 13.75%	4/30/2019 10/15/2018	4,504 2,055	4,504 2,040	3,375 (9) (17) 49 (17)
									6,544	3,424
GS HVAM Intermediate, LLC	(10)	October 18, 2019	Specialized Food Distributor	Secured Debt		6.75% (L+5.75%, Floor 1.00%)	10/2/2024	11,053	10,952	11,007 (9)
Gexpro Services	(10)	February 24, 2020	Distributor of Industrial and Specialty Parts	Secured Debt		8.00% (L+6.50%, Floor 1.50%)	2/24/2025	29,180	28,692	28,953 (9)
HDC/HW Intermediate Holdings	(10)	December 21, 2018	Managed Services and Hosting Provider	Secured Debt		8.50% (L+7.50%, Floor 1.00%)	12/21/2023	3,474	3,429	3,351 (9)
Heartland Dental, LLC	(10)	September 9, 2020	Dental Support Organization	Secured Debt		7.50% (L+6.50%, Floor 1.00%)	4/30/2025	14,925	14,501	14,501 (9)
Hunter Defense Technologies, Inc.	(10)	March 29, 2018	Provider of Military and Commercial Shelters and Systems	Secured Debt		8.00% (L+7.00%, Floor 1.00%)	3/29/2023	35,246	34,820	35,246 (9)
HW Temps LLC		July 2, 2015	Temporary Staffing Solutions	Secured Debt		12.00%	3/29/2023	9,801	9,698	8,994
Hyperion Materials & Technologies, Inc. (11) (13)		September 12, 2019	Manufacturer of Cutting and Machine Tools & Specialty Polishing Compounds	Secured Debt		6.50% (L+5.50%, Floor 1.00%)	8/28/2026	22,275	21,894	20,813 (9)

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)		
Ian, Evan & Alexander Corporation (EverWatch)	(10)	July 31, 2020	Cybersecurity, Software and Data Analytics provider to the Intelligence Community								
				Secured Debt		9.50% (L+8.50%, Floor 1.00%)	7/31/2025	16,529	16,158	16,158 (9)	
Implus Footcare, LLC	(10)	June 1, 2017	Provider of Footwear and Related Accessories								
				Secured Debt		8.75% (L+7.75%, Floor 1.00%)	4/30/2024	18,890	18,566	17,172 (9)	
Independent Pet Partners Intermediary Holdings, LLC	(10)	November 20, 2018	Omnichannel Retailer of Specialty Pet Products								
				Secured Debt		6.31% PIK (L+6.00% PIK)	12/22/2022	6,111	6,111	6,111 (19)	
				Secured Debt		6.00% PIK	11/20/2023	16,670	15,086	15,086 (19)	
				Preferred Stock (non-voting)					3,235	3,235	
				Preferred Stock (non-voting)						-	-
Member Units	1,558,333					1,558	-				
							25,990	24,432			
Industrial Services Acquisition, LLC	(10)	June 17, 2016	Industrial Cleaning Services								
				Unsecured Debt		13.00% (6.00% Cash, 7.00% PIK)	12/17/2022	5,624	5,579	5,624 (19)	
				Preferred Member Units	144	10.00% PIK			112	112 (8) (19) (30)	
				Preferred Member Units	80	20.00% PIK			71	71 (8) (19) (30)	
				Member Units	900				900	530 (30)	
						6,662	6,337				
Inn of the Mountain Gods Resort and Casino	(11)	October 30, 2013	Hotel & Casino Owner & Operator								
			Secured Debt		9.25%	11/30/2023	6,677	6,677	6,677		
Interface Security Systems, L.L.C.	(10)	August 7, 2019	Commercial Security & Alarm Services								
				Secured Debt		11.75% (8.75% Cash, 3.00% PIK) (3.00% PIK + L+7.00%, Floor 1.75%)	8/7/2023	7,245	7,145	7,245 (9) (19)	
Intermedia Holdings, Inc.	(11)	August 3, 2018	Unified Communications as a Service								
				Secured Debt		7.00% (L+6.00%, Floor 1.00%)	7/19/2025	20,839	20,755	20,823 (9)	
Invincible Boat Company, LLC.	(10)	August 28, 2019	Manufacturer of Sport Fishing Boats								
				Secured Debt		8.00% (L+6.50%, Floor 1.50%)	8/28/2025	8,876	8,793	8,876 (9)	
Isagenix International, LLC	(11)	June 21, 2018	Direct Marketer of Health & Wellness Products								
				Secured Debt		6.75% (L+5.75%, Floor 1.00%)	6/14/2025	5,572	5,541	3,130 (9)	
Jackmont Hospitality, Inc.	(10)	May 26, 2015	Franchisee of Casual Dining Restaurants								
				Secured Debt		7.75% (L+6.75%, Floor 1.00%)	5/26/2021	3,954	3,953	3,157 (9)	

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Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)		Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Joerns Healthcare, LLC	(11)	April 3, 2013	Manufacturer and Distributor of Health Care Equipment & Supplies			7.00% (L+6.00%, Floor 1.00%)	8/21/2024	4,016	3,955	4,016 (9)
				Secured Debt						
				Common Stock	472,579				8,384	6,811
Kemp Technologies Inc.	(10)	June 27, 2019	Provider of Application Delivery Controllers			7.50% (L+6.50%, Floor 1.00%)	3/29/2024	17,387	17,088	17,387 (9)
				Secured Debt						
				Common Stock	1,000,000				18,638	18,937
Klein Hersh, LLC	(10)	November 13, 2020	Executive and C-Suite Placement for the Life Sciences and Healthcare Industries			8.75% (L+8.00%, Floor 0.75%)	11/13/2025	35,000	34,098	34,098 (9)
				Secured Debt						
Kore Wireless Group Inc.	(11)	December 31, 2018	Mission Critical Software Platform	Secured Debt		5.75% (L+5.50%)	12/20/2024	19,090	19,003	18,828
Larchmont Resources, LLC	(11)	August 13, 2013	Oil & Gas Exploration & Production			11.00% PIK (L+10.00% PIK, Floor 1.00%)	8/9/2021	2,185	2,185	983 (9) (19)
				Secured Debt	Member Units	2,828				
								2,538	1,096	
Laredo Energy VI, LP	(10)	January 15, 2019	Oil & Gas Exploration & Production	Member Units	1,155,952				11,560	10,238
Lightbox Holdings, L.P.	(11)	May 23, 2019	Provider of Commercial Real Estate Software			5.15% (L+5.00%)	5/9/2026	14,813	14,623	14,368
				Secured Debt						
LKCM Headwater Investments I, L.P.	(12) (13)	January 25, 2013	Investment Partnership	LP Interests	2.3%				1,746	3,524 (31)
LL Management, Inc.	(10)	May 2, 2019	Medical Transportation Service Provider			8.25% (L+7.25%, Floor 1.00%)	9/25/2023	16,504	16,337	16,504 (9)
				Secured Debt						
Logix Acquisition Company, LLC	(10)	June 24, 2016	Competitive Local Exchange Carrier			6.75% (L+5.75%, Floor 1.00%)	12/22/2024	26,131	24,550	24,171 (9)
				Secured Debt						
Looking Glass Investments, LLC	(12) (13)	July 1, 2015	Specialty Consumer Finance							
				Member Units	3					125
LSF9 Atlantis Holdings, LLC	(11)	May 17, 2017	Provider of Wireless Telecommunications Carrier Services			7.00% (L+6.00%, Floor 1.00%)	5/1/2023	9,206	9,206	9,177 (9)
				Secured Debt						

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Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Lulu's Fashion Lounge, LLC	(10) August 31, 2017	Fast Fashion E-Commerce Retailer	Secured Debt		10.50% (8.00% Cash, 2.50% PIK) (2.50% PIK + L+7.00%, Floor 1.00%)	8/28/2022	11,152	10,983	9,535 (9) (19)
Lynx FBO Operating LLC	(10) September 30, 2019	Fixed Based Operator in the General Aviation Industry	Secured Debt Member Units	4,872	7.25% (L+5.75%, Floor 1.50%)	9/30/2024	13,613	13,369 687	13,521 (9) 780 14,301
Mac Lean-Fogg Company	(10) April 22, 2019	Manufacturer and Supplier for Auto and Power Markets	Secured Debt Preferred Stock		5.63% (L+5.00%, Floor 0.625%) 13.75% (4.50% Cash, 9.25% PIK)	12/22/2025	17,251 1,870	17,149 1,870	17,251 (9) 1,841 (8) (19) 19,092
MHVC Acquisition Corp.	(11) May 8, 2017	Provider of Differentiated Information Solutions, Systems Engineering, and Analytics	Secured Debt		6.25% (L+5.25%, Floor 1.00%)	4/29/2024	19,797	19,716	19,846 (9)
Mills Fleet Farm Group, LLC	(10) October 24, 2018	Omnichannel Retailer of Work, Farm and Lifestyle Merchandise	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	10/24/2024	13,860	13,595	13,609 (9)
NBG Acquisition Inc	(11) April 28, 2017	Wholesaler of Home Décor Products	Secured Debt		6.50% (L+5.50%, Floor 1.00%)	4/26/2024	4,070	4,034	3,399 (9)
NinjaTrader, LLC	(10) December 18, 2019	Operator of Futures Trading Platform	Secured Debt		8.25% (L+6.75%, Floor 1.50%)	12/18/2024	16,875	16,543	16,849 (9)
NNE Partners, LLC	(10) March 2, 2017	Oil & Gas Exploration & Production	Secured Debt		9.48% (4.75% Cash, 4.50% PIK) (4.50% PIK + L+4.75%)	12/31/2023	23,683	23,572	21,025 (19)
Project Eagle Holdings, LLC	(10) July 6, 2020	Provider of Secure Business Collaboration Software	Secured Debt		9.25% (L+8.25%, Floor 1.00%)	7/6/2026	14,963	14,583	14,583 (9)
Novetta Solutions, LLC	(11) June 21, 2017	Provider of Advanced Analytics Solutions for Defense Agencies	Secured Debt		6.00% (L+5.00%, Floor 1.00%)	10/17/2022	22,912	22,629	22,864 (9)

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Portfolio Company (1) (20)		Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
NTM Acquisition Corp.	(11)	July 12, 2016	Provider of B2B Travel Information Content	Secured Debt		8.25% (7.25% Cash, 1.00% PIK) (1.00% PIK + L+6.25%, Floor 1.00%)	6/7/2024	4,694	4,694	4,224 (9) (19)
Ospemifene Royalty Sub LLC (QuatRx)	(10)	July 8, 2013	Estrogen-Deficiency Drug Manufacturer and Distributor	Secured Debt		11.50%	11/15/2026	4,765	4,765	121 (14)
PaySimple, Inc.	(10)	September 9, 2019	Leading Technology Services Commerce Platform	Secured Debt		5.65% (L+5.50%)	8/23/2025	24,448	24,225	23,959
PricewaterhouseCoopers Public Sector LLP	(11)	May 24, 2018	Provider of Consulting Services to Governments	Secured Debt		8.15% (L+8.00%)	5/1/2026	9,000	8,969	9,000
PT Network, LLC	(10)	November 1, 2013	Provider of Outpatient Physical Therapy and Sports Medicine Services	Secured Debt		8.73% (6.73% Cash, 2.00% PIK) (2.00% PIK + L+5.50%, Floor 1.00%)	11/30/2023	8,601	8,601	8,601 (9) (19)
Research Now Group, Inc. and Survey Sampling International, LLC	(11)	December 31, 2017	Provider of Outsourced Online Surveying	Secured Debt		6.50% (L+5.50%, Floor 1.00%)	12/20/2024	17,930	17,497	17,715 (9)
RM Bidder, LLC	(10)	November 12, 2015	Scripted and Unscripted TV and Digital Programming Provider	Warrants Member Units	187,161 2,779		10/20/2025	425 46		- (26) 26
RTIC Subsidiary Holdings, LLC	(10)	September 1, 2020	Direct-To-Consumer eCommerce Provider of Outdoor Products	Secured Debt		9.00% (L+7.75%, Floor 1.25%)	9/1/2025	17,260	17,026	17,026 (9)
SAFETY Investment Holdings, LLC		April 29, 2016	Provider of Intelligent Driver Record Monitoring Software and Services	Member Units	2,000,000				2,000	2,350
Salient Partners L.P.	(11)	June 25, 2015	Provider of Asset Management Services	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	8/31/2021	6,450	6,443	4,542 (9)
Staples Canada ULC	(10) (13) (21)	September 14, 2017	Office Supplies Retailer	Secured Debt		8.00% (L+7.00%, Floor 1.00%)	9/12/2024	13,032	12,896	12,382 (9) (22)
TEAM Public Choices, LLC	(10)	October 28, 2019	Home-Based Care Employment Service Provider	Secured Debt		6.00% (L+5.00%, Floor 1.00%)	12/18/2027	12,500	12,126	12,406 (9)

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)
December 31, 2020
(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Tectonic Financial, Inc.	May 15, 2017	Financial Services Organization	Common Stock	200,000				2,000	2,800
TGP Holdings III LLC	(11) September 30, 2017	Outdoor Cooking & Accessories	Secured Debt		9.50% (L+8.50%, Floor 1.00%)	9/25/2025	5,500	5,448	5,307 (9)
The Pasha Group	(11) February 2, 2018	Diversified Logistics and Transportation Provided	Secured Debt		9.00% (L+8.00%, Floor 1.00%)	1/26/2023	10,162	9,585	9,323 (9)
USA DeBusk LLC	(10) October 22, 2019	Provider of Industrial Cleaning Services	Secured Debt		6.75% (L+5.75%, Floor 1.00%)	10/22/2024	24,948	24,561	24,591 (9)
U.S. TelePacific Corp.	(11) September 14, 2016	Provider of Communications and Managed Services	Secured Debt		6.50% (L+5.50%, Floor 1.00%)	5/2/2023	17,088	16,913	15,486 (9)
Veregy Consolidated, Inc.	(11) November 9, 2020	Energy Service Company	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	11/3/2027	15,000	14,587	14,888 (9)
Vida Capital, Inc	(11) October 10, 2019	Alternative Asset Manager	Secured Debt		6.15% (L+6.00%)	10/1/2026	17,853	17,626	17,272
Vistar Media, Inc.	(10) February 17, 2017	Operator of Digital Out-of-Home Advertising Platform	Secured Debt		12.00% (8.50% Cash, 3.50% PIK) (3.50% PIK + L+7.50%, Floor 1.00%)	4/3/2023	4,636	4,513	4,636 (9) (19)
			Preferred Stock	70,207				767	910
			Warrants	69,675		4/3/2029		-	920 (25)
								5,280	6,466
YS Garments, LLC	(11) August 22, 2018	Designer and Provider of Branded Activewear	Secured Debt		7.00% (L+6.00%, Floor 1.00%)	8/9/2024	13,997	13,902	12,911 (9)
Zilliant Incorporated	June 15, 2012	Price Optimization and Margin Management Solutions	Preferred Stock	186,777				154	260
			Warrants	952,500		6/15/2022		1,071	1,190 (28)
								1,225	1,450
Subtotal Non-Control/Non-Affiliate Investments (79.5% of net assets at fair value)								1,268,740	1,204,840
Total Portfolio Investments, December 31, 2020 (177.2% of net assets at fair value)								\$ 2,516,709	\$ 2,684,866

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

- (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 Facility 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 and Schedule 12-14 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% (inclusive) 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, 2020. As noted in this schedule, 61% of the loans (based on the par amount) contain LIBOR floors which range between 0.50% and 2.00%, with a weighted-average LIBOR floor of approximately 1.11%.
- (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) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities."
- (16) External Investment Manager. Investment is not encumbered as security for the Company's Credit Facility 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) Investment fair value was determined using significant unobservable inputs, unless otherwise noted. See Note C for further discussion.
- (19) PIK interest income and cumulative dividend income represent income not paid currently in cash.
- (20) All portfolio company headquarters are based in the United States, unless otherwise noted.
- (21) Portfolio company headquarters are located outside of the United States.
- (22) In connection with the Company's debt investment in Staples Canada ULC and in an attempt to mitigate any potential adverse change in foreign exchange rates during the term of the Company's investment, the Company maintains a forward foreign currency contract with Cadence Bank to lend \$15.8 million Canadian Dollars and receive \$12.0 million U.S. Dollars with a settlement date of September 14, 2021. The unrealized appreciation on the forward foreign currency contract is \$0.4 million as of December 31, 2020.

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2020

(dollars in thousands)

- (23) The Company has entered into an intercreditor agreement that entitles the Company to the "last out" tranche of the first lien secured loans, whereby the "first out" tranche will receive priority as to the "last out" tranche with respect to payments of principal, interest, and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 7.25% (Floor 1.25%) per the credit agreement and the Consolidated Schedule of Investments above reflects such higher rate.
- (24) Investment date represents the date of initial investment in the portfolio company.
- (25) Warrants are presented in equivalent shares with a strike price of \$10.92 per share.
- (26) Warrants are presented in equivalent units with a strike price of \$14.28 per unit.
- (27) Warrants are presented in equivalent shares/units with a strike price of \$0.01 per share/unit.

- (28) Warrants are presented in equivalent shares with a strike price of \$0.001 per share.
- (29) Warrants are presented in equivalent units with a strike price of \$1.50 per unit.
- (30) Shares/Units represent ownership in an underlying Real Estate or HoldCo entity.
- (31) Investment is not unitized. Presentation is made in percent of fully diluted ownership unless otherwise indicated.
- (32) Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investment in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investment in this portfolio company is on non-accrual status.

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
Control Investments(5)										
Access Media Holdings, LLC	(10)	7/22/2015	Private Cable Operator	Secured Debt		10.00% PIK	7/22/2020	23,828	23,828	6,387 (14) (19)
				Preferred Member Units	9,481,500				9,375	(284)(27)
				Member Units	45				1	-
							<u>33,204</u>	<u>6,103</u>		
ASC Interests, LLC	8/1/2013	Recreational and Educational Shooting Facility	Secured Debt		11.00%	7/31/2020	1,650	1,639	1,639	
			Member Units	1,500				<u>1,500</u>	<u>1,290</u>	
							<u>3,139</u>	<u>2,929</u>		
Analytical Systems Keeco, LLC	8/16/2019	Manufacturer of Liquid and Gas Analyzers			12.13% (L+10.00%, Floor 2.00%)	8/16/2024	5,565	5,210	5,210 (9)	
			Secured Debt						3,200	3,200
			Preferred Member Units	3,200					<u>316</u>	<u>316 (29)</u>
			Warrants	420		8/16/2029			<u>8,726</u>	<u>8,726</u>
ATS Workholding, LLC	(10)	3/10/2014	Manufacturer of Machine Cutting Tools and Accessories	Secured Debt		5.00%	11/16/2021	4,919	4,666	4,521
				Preferred Member Units	3,725,862					<u>3,726</u>
							<u>8,392</u>	<u>5,460</u>		
Bond-Coat, Inc.	12/28/2012	Casing and Tubing Coating Services	Secured Debt		15.00%	12/28/2020	11,596	11,473	11,473	
			Common Stock	57,508					<u>6,350</u>	<u>8,300</u>
							<u>17,823</u>	<u>19,773</u>		
Brewer Crane Holdings, LLC	1/9/2018	Provider of Crane Rental and Operating Services	Secured Debt		11.71% (L+10.00%, Floor 1.00%)	1/9/2023	9,052	8,989	8,989 (9)	
			Preferred Member Units	2,950					<u>4,280</u>	<u>4,280 (8)</u>
							<u>13,269</u>	<u>13,269</u>		
Bridge Capital Solutions Corporation	4/18/2012	Financial Services and Cash Flow Solutions Provider	Secured Debt		13.00%	12/11/2024	8,813	7,797	7,797	
			Warrants	82		7/25/2026		2,132	3,500 (29)	
			Secured Debt		13.00%	12/11/2024	1,000	996	996 (34)	
			Preferred Member Units	17,742				<u>1,000</u>	<u>1,000 (8) (34)</u>	
							<u>11,925</u>	<u>13,293</u>		
Café Brazil, LLC	4/20/2004	Casual Restaurant Group	Member Units	1,233				1,742	2,440 (8)	
California Splendor Holdings LLC	3/30/2018	Processor of Frozen Fruits	Secured Debt		10.13% (L+8.00%, Floor 1.00%)	3/30/2023	7,229	7,104	7,104 (9)	
			Secured Debt		12.13% (L+10.00%, Floor 1.00%)	3/30/2023	28,000	27,801	27,801 (9)	
			Preferred Member Units	6,725					<u>7,163</u>	<u>7,163 (8)</u>
			Preferred Member Units	6,157					<u>10,775</u>	<u>7,382 (8)</u>
									<u>52,843</u>	<u>49,450</u>

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
CBT Nuggets, LLC ("CBT")	6/1/2006	Produces and Sells IT Training Certification Videos	Member Units	416				1,300	50,850 (8)
Centre Technologies Holdings, LLC	1/4/2019	Provider of IT Hardware Services and Software Solutions	Secured Debt Preferred Member Units	12,696	10.75% (L+9.00%, Floor 2.00%)	1/4/2024	12,240	12,136 5,840	12,136 (9) 5,840
								<u>17,976</u>	<u>17,976</u>
Chamberlin Holding LLC	2/26/2018	Roofing and Waterproofing Specialty Contractor	Secured Debt Member Units Member Units	4,347 1,047,146	12.00% (L+10.00%, Floor 1.00%)	2/26/2023	17,773	17,649 11,440 1,047	17,773 (9) 24,040 (8) 1,450 (8) (34)
								<u>30,136</u>	<u>43,263</u>
Charps, LLC	2/3/2017	Pipeline Maintenance and Construction	Secured Debt Preferred Member Units	1,600	15.00%	6/5/2022	2,000	2,000 400	2,000 6,920 (8)
								<u>2,400</u>	<u>8,920</u>
Clad-Rex Steel, LLC	12/20/2016	Specialty Manufacturer of Vinyl-Clad Metal	Secured Debt Member Units Secured Debt Member Units	717 800	10.71% (L+9.00%, Floor 1.00%) 10.00%	12/20/2021 12/20/2036	10,880 1,137	10,830 7,280 1,126 210	10,781 (9) 9,630 (8) 1,137 (34) 460 (34)
								<u>19,446</u>	<u>22,008</u>
CMS Minerals Investments	1/30/2015	Oil & Gas Exploration & Production	Member Units	100				2,386	1,900 (8) (34)
CompareNetworks Topco, LLC	1/29/2019	Internet Publishing and Web Search Portals	Secured Debt Preferred Member Units	1,975	12.75% (L+11.00%, Floor 1.00%)	1/29/2024	8,364	8,288 1,975	8,288 (9) 3,010
								<u>10,263</u>	<u>11,298</u>
Copper Trail Fund Investments	(12) (13) 7/17/2017	Investment Partnership	LP Interests	38.8%				872	872 (35) (36)
Datacom, LLC	5/30/2014	Technology and Telecommunications Provider	Secured Debt Secured Debt Class A Preferred Member Units Class B Preferred Member Units	6,453	8.00% 10.50% PIK	5/31/2021 5/31/2021	1,800 12,507	1,800 12,475 1,294	1,615 (14) 10,142 (14) (19) -
								<u>6,030</u>	<u>-</u>
								<u>21,599</u>	<u>11,757</u>
Digital Products Holdings LLC	4/1/2018	Designer and Distributor of Consumer Electronics	Secured Debt Preferred Member Units	3,857	11.75% (L+10.00%, Floor 1.00%)	4/1/2023	19,620	19,478 9,501	18,452 (9) 5,174 (8)
								<u>28,979</u>	<u>23,626</u>

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
Direct Marketing Solutions, Inc.	2/13/2018	Provider of Omni-Channel Direct Marketing Services	Secured Debt		12.75% (L+11.00%, Floor 1.00%)	2/13/2023	15,717	15,597	15,707 (9)	
			Preferred Stock	8,400				8,400	20,200	
								23,997	35,907	
Gamber-Johnson Holdings, LLC ("GJH")	6/24/2016	Manufacturer of Ruggedized Computer Mounting Systems	Secured Debt		8.50% (L+6.50%, Floor 2.00%)	6/24/2021	19,022	18,949	19,022 (9)	
			Member Units	8,619				14,844	53,410 (8)	
								33,793	72,432	
Garreco, LLC	7/15/2013	Manufacturer and Supplier of Dental Products	Secured Debt		9.50% (L+8.00%, Floor 1.00%, Ceiling 1.50%)	3/31/2020	4,519	4,515	4,515 (9)	
			Member Units	1,200				1,200	2,560	
								5,715	7,075	
GRT Rubber Technologies LLC ("GRT")	12/19/2014	Manufacturer of Engineered Rubber Products	Secured Debt		8.71% (L+7.00%)	12/31/2023	15,016	15,016	15,016	
			Member Units	5,879				13,065	47,450	
								28,081	62,466	
Guerdon Modular Holdings, Inc.	8/13/2014	Multi-Family and Commercial Modular Construction Company	Secured Debt		10.60% (L+8.50%, Floor 1.00%)	10/1/2019	1,010	1,010	- (9) (14) (17)	
			Secured Debt		16.00%	10/1/2019	12,588	12,588	- (14) (17)	
			Preferred Stock	404,998					1,140	-
			Common Stock	212,033					2,983	-
			Warrants	6,208,877			4/25/2028		-	- (30)
							17,721	-		
Gulf Manufacturing, LLC	8/31/2007	Manufacturer of Specialty Fabricated Industrial Piping Products	Member Units	438				2,980	7,430 (8)	
Gulf Publishing Holdings, LLC	4/29/2016	Energy Industry Focused Media and Publishing	Secured Debt		11.21% (L+9.50%, Floor 1.00%)	9/30/2020	280	280	280 (9)	
			Secured Debt		12.50%	4/29/2021	12,535	12,493	12,493	
			Member Units	3,681				3,681	2,420	
							16,454	15,193		
Harborside Holdings, LLC	3/20/2017	Real Estate Holding Company	Member units	100				6,506	9,560	
Harris Preston Fund Investments	(12) (13)	10/1/2017	Investment Partnership	LP Interests	49.3%			2,735	3,157 (35) (36)	
Harrison Hydra-Gen, Ltd.		6/4/2010	Manufacturer of Hydraulic Generators	Common Stock	107,456			718	7,970 (8)	

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
IDX Broker, LLC	11/15/2013	Provider of Marketing and CRM Tools for the Real Estate Industry	Secured Debt		11.50%	11/15/2020	13,400	13,358	13,400
			Preferred Member Units	5,607				5,952	15,040 (8)
								19,310	28,440
Jensen Jewelers of Idaho, LLC	11/14/2006	Retail Jewelry Store	Secured Debt		11.50% (Prime+6.75%, Floor 2.00%)	11/14/2023	4,000	3,960	4,000 (9)
			Member Units	627				811	8,270 (8)
								4,771	12,270
J&J Services, Inc.	10/31/2019	Provider of Dumpster and Portable Toilet Rental Services	Secured Debt		11.50%	10/31/2024	17,600	17,430	17,430
			Preferred Stock	2,814				7,160	7,160
								24,590	24,590
KBK Industries, LLC	1/23/2006	Manufacturer of Specialty Oilfield and Industrial Products	Member Units	325				783	15,470 (8)
Kickhaefer Manufacturing Company, LLC	10/31/2018	Precision Metal Parts Manufacturing	Secured Debt		11.50%	10/31/2023	25,200	24,982	24,982
			Member Units	581				12,240	12,240
			Secured Debt		9.00%	10/31/2048	3,978	3,939	3,939
			Member Units	800				992	1,160 (8) (34)
								42,153	42,321
Market Force Information, LLC	7/28/2017	Provider of Customer Experience Management Services	Secured Debt		8.00%	7/28/2022	2,786	2,786	2,695
			Secured Debt		12.00% (6.00% Current, 6.00% PIK)	7/28/2022	23,292	23,157	22,621 (19)
			Member Units	743,921				16,642	5,280
								42,585	30,596
MH Corbin Holding LLC	8/31/2015	Manufacturer and Distributor of Traffic Safety Products	Secured Debt		10.00% (5.00% Current, 5.00% PIK)	3/31/2022	8,890	8,815	8,890 (19)
			Preferred Member Units	66,000				4,400	4,770
			Preferred Member Units	4,000				6,000	20
								19,215	13,680
Mid-Columbia Lumber Products, LLC	12/18/2006	Manufacturer of Finger-Jointed Lumber Products	Secured Debt		10.00%	1/15/2020	1,750	1,750	1,602
			Secured Debt		12.00%	1/15/2020	3,900	3,898	3,644
			Member Units	7,874				3,239	-
			Secured Debt		9.50%	5/13/2025	701	701	701 (34)
			Member Units	500				790	1,640 (8) (34)
								10,378	7,587
MSC Adviser I, LLC	(16)	11/22/2013	Third Party Investment Advisory Services	Member Units	1			-	74,520 (8) (35)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Mystic Logistics Holdings, LLC	8/18/2014	Logistics and Distribution Services Provider for Large Volume Mailers	Secured Debt (Maturity - Common Stock)	5,873	12.00%	8/15/2019	6,253	6,253 2,720	6,253 (17) 8,410 (8)
							8,973	14,663	
NAPCO Precast, LLC	1/31/2008	Precast Concrete Manufacturing	Member Units	2,955				2,975	14,760 (8)
NexRev LLC	2/28/2018	Provider of Energy Efficiency Products & Services	Secured Debt Preferred Member Units	86,400,000	11.00%	2/28/2023	17,586	17,469 6,880	17,469 6,310 (8)
							24,349	23,779	
NRI Clinical Research, LLC	9/8/2011	Clinical Research Service Provider	Secured Debt Warrants	251,723	14.00%	6/8/2022	5,981	5,885	5,981
			Member Units	1,454,167		6/8/2027		252 765	1,230 (29) 4,988 (8)
							6,902	12,199	
NRP Jones, LLC	12/22/2011	Manufacturer of Hoses, Fittings and Assemblies	Secured Debt Member Units	65,962	12.00%	3/20/2023	6,376	6,376 3,717	6,376 4,710 (8)
							10,093	11,086	
NuStep, LLC	1/31/2017	Designer, Manufacturer and Distributor of Fitness Equipment	Secured Debt Preferred Member Units	406	12.00%	1/31/2022	19,800	19,703 10,200	19,703 10,200
							29,903	29,903	
OMi Holdings, Inc.	4/1/2008	Manufacturer of Overhead Cranes	Common Stock	1,500				1,080	16,950 (8)
Pegasus Research Group, LLC	1/6/2011	Provider of Telemarketing and Data Services	Member Units	460				1,290	8,170
PPL RVs, Inc.	6/10/2010	Recreational Vehicle Dealer	Secured Debt Common Stock	1,962	10.85% (L+8.75%, Floor 0.50%)	11/15/2022	12,245	12,118 2,150	12,118 (9) 9,930
							14,268	22,048	
Principle Environmental, LLC (d/b/a TruHorizon Environmental Solutions)	2/1/2011	Noise Abatement Service Provider	Secured Debt Preferred Member Units	19,631	13.00%	4/30/2020	6,397	6,379	6,397
			Warrants	1,018		1/31/2021		4,600 1,200	13,390 (8) 1,090 (29)
							12,179	20,877	
Quality Lease Service, LLC	6/8/2015	Provider of Rigsite Accommodation Unit Rentals and Related Services	Member Units	1,000				11,013	9,289

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Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)	
River Aggregates, LLC	3/30/2011	Processor of Construction Aggregates	Zero Coupon Secured Debt			6/30/2018	750	750	722 (17)	
			Member Units	1,150				1,150	4,990	
			Member Units	1,500					369	3,169 (34)
									2,269	8,881
Tedder Industries, LLC	8/31/2018	Manufacturer of Firearm Holsters and Accessories	Secured Debt		12.00%	8/31/2020	640	640	640	
			Secured Debt		12.00%	8/31/2023	16,400	16,272	16,272	
			Preferred Member Units	479					8,136	8,136
									25,048	25,048
The MPI Group, LLC	10/2/2007	Manufacturer of Custom Hollow Metal Doors, Frames and Accessories	Secured Debt		9.00%	12/31/2019	2,924	2,924	2,924 (17)	
			Series A Preferred Units	2,500					2,500	-
			Warrants	1,424		7/1/2024			1,096	- (29)
			Member Units	100					2,300	1,640 (8) (34)
						8,820	4,564			
Trantech Radiator Topco, LLC	5/31/2019	Transformer Cooling Products and Services	Secured Debt		12.00%	5/31/2024	9,200	9,102	9,102	
			Common Stock	615					4,655	4,655 (8)
							13,757	13,757		
Vision Interests, Inc.	6/5/2007	Manufacturer / Installer of Commercial Signage	Secured Debt		13.00%	9/30/2019	2,028	2,028	2,028 (17)	
			Series A Preferred Stock	3,000,000					3,000	4,089
			Common Stock	1,126,242					3,706	409
							8,734	6,526		
Ziegler's NYPD, LLC	10/1/2008	Casual Restaurant Group	Secured Debt		6.50%	10/1/2020	1,000	1,000	1,000	
			Secured Debt		12.00%	10/1/2020	625	625	625	
			Secured Debt		14.00%	10/1/2020	2,750	2,750	2,750	
			Warrants	587		10/1/2020			600	- (29)
			Preferred Member Units	10,072					2,834	1,269
							7,809	5,644		
Subtotal Control Investments (67.2% of net assets at fair value)							\$ 778,367	\$ 1,032,721		

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Affiliate Investments (6)									
AFG Capital Group, LLC	11/7/2014	Provider of Rent-to-Own Financing Solutions and Services	Secured Debt		10.00%	5/25/2022	838	838	838
			Preferred Member Units	186				1,200	5,180
								2,038	6,018
American Trailer Rental Group LLC	6/7/2017	Provider of Short-term Trailer and Container Rental	Secured Debt		9.34% (L+7.25%, Floor 1.00%)	6/7/2022	27,087	26,905	27,087 (9)
			Member Units	48,555				4,855	8,540 (34)
							31,760	35,627	
BBB Tank Services, LLC	4/8/2016	Maintenance, Repair and Construction Services to the Above-Ground Storage Tank Market	Secured Debt		12.71% (L+11.00%, Floor 1.00%)	4/8/2021	4,800	4,698	4,698 (9)
			Preferred Stock (non-voting)					131	131 (8)
			Member Units	800,000				800	290
							5,629	5,119	
Bocella Precast Products LLC	6/30/2017	Manufacturer of Precast Hollow Core Concrete	Secured Debt		14.10% (L+12.00%, Floor 1.00%)	6/30/2022	13,244	13,106	13,244 (9)
			Member Units	2,160,000				2,256	6,270 (8)
							15,362	19,514	
Buca C, LLC	6/30/2015	Casual Restaurant Group	Secured Debt		10.94% (L+9.25%, Floor 1.00%)	6/30/2020	19,004	18,981	18,794 (9)
			Preferred Member Units	6	6.00% PIK			4,701	4,701 (8) (19)
							23,682	23,495	
CAI Software LLC	10/10/2014	Provider of Specialized Enterprise Resource Planning Software	Secured Debt		11.00%	12/7/2023	9,160	9,077	9,160
			Member Units	66,968				751	5,210 (8)
							9,828	14,370	
Chandler Signs Holdings, LLC	(10) 1/4/2016	Sign Manufacturer	Class A Units	1,500,000				1,500	2,740 (8)
Charlotte Russe, Inc	(11) 5/28/2013	Fast-Fashion Retailer to Young Women	Common Stock	19,041				3,141	-
Congruent Credit Opportunities Funds	(12) (13) 1/24/2012	Investment Partnership	LP Interests	19.8%				5,210	855 (35) (36)
			LP Interests	17.4%				13,601	13,915 (8) (35) (36)
								18,811	14,770
Copper Trail Fund Investments	(12) (13) 7/17/2017	Investment Partnership	LP Interests	12.4%				1,997	2,362 (8) (35) (36)
Dos Rios Partners	(12) (13) 4/25/2013	Investment Partnership	LP Interests	20.2%				5,846	7,033 (35) (36)
			LP Interests	6.4%				1,856	2,233 (35) (36)
								7,702	9,266

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
East Teak Fine Hardwoods, Inc.	4/13/2006	Distributor of Hardwood Products	Common Stock	6,250				480	400 (8)
EIG Fund Investments	(12) (13)	11/6/2015	Investment Partnership	LP Interests	11.1%			768	720 (8) (35) (36)
Freeport Financial Funds	(12) (13)	6/13/2013	Investment Partnership	LP Interests	9.3%			5,974	5,778 (35) (36)
				LP Interests	6.0%			9,956	9,696 (8) (35) (36)
								15,930	15,474
Fuse, LLC	(11)	6/30/2019	Cable Networks Operator	Secured Debt		12.00%	6/28/2024	1,939	1,939
				Common Stock	10,429			256	256
								2,195	2,195
Harris Preston Fund Investments	(12) (13)	8/9/2017	Investment Partnership	LP Interests	8.2%			2,474	2,474 (35) (36)
Hawk Ridge Systems, LLC (13)	12/2/2016	Value-Added Reseller of Engineering Design and Manufacturing Solutions			7.71% (L+6.00%, Floor 1.00%)	12/2/2021	600	600	600 (9)
				Secured Debt		11.00%	12/2/2021	13,335	13,400
				Preferred Member Units	226			2,850	7,900 (8)
				Preferred Member Units	226			150	420 (34)
								16,935	22,320
Houston Plating and Coatings, LLC	1/8/2003	Provider of Plating and Industrial Coating Services	Unsecured Convertible Debt		8.00%	5/1/2022	3,000	3,000	4,260
			Member Units	322,297				2,352	10,330 (8)
								5,352	14,590
I-45 SLF LLC	(12) (13)	10/20/2015	Investment Partnership	Member Units	20.0% (24.4% profits interest)			17,000	14,407 (8)
L.F. Manufacturing Holdings, LLC	(10)	12/23/2013	Manufacturer of Fiberglass Products	Preferred Member Units (non-voting)		14.00% PIK		81	81 (8) (19)
				Member Units	2,179,001			2,019	2,050
								2,100	2,131
OnAsset Intelligence, Inc.	4/18/2011	Provider of Transportation Monitoring / Tracking Products and Services	Secured Debt		12.00% PIK	6/30/2021	6,474	6,474	6,474 (19)
			Unsecured Debt		10.00% PIK	6/30/2021	58	58	58 (19)
			Preferred Stock	912				1,981	-
			Warrants	5,333		4/18/2021		1,919	- (29)
								10,432	6,532
PCI Holding Company, Inc.	12/18/2012	Manufacturer of Industrial Gas Generating Systems	Secured Debt		12.00%	3/31/2020	11,356	11,356	11,356
			Preferred Stock (non-voting)	1,740,000				1,740	4,350
			Preferred Stock	1,500,000				3,927	2,680
								17,023	18,386

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Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Rocacea, LLC (Quality Lease and Rental Holdings, LLC)	1/8/2013	Provider of Rigsite Accommodation Unit Rentals and Related Services	Secured Debt		12.00%	1/8/2018	30,369	29,865	- (14) (15)
			Preferred Member Units	250				2,500	-
							<u>32,365</u>	<u>-</u>	
Salado Stone Holdings, LLC	(10) 6/27/2016	Limestone and Sandstone Dimension Cut Stone Mining Quarries	Class A Preferred Units	2,000,000				2,000	570 (34)
SI East, LLC	8/31/2018	Rigid Industrial Packaging Manufacturing	Secured Debt		9.50%	8/31/2023	32,963	32,687	32,963
			Preferred Member Units	157				6,000	8,200 (8)
							<u>38,687</u>	<u>41,163</u>	
Slick Innovations, Inc.	9/13/2018	Text Message Marketing Platform	Secured Debt		14.00%	9/13/2023	6,360	6,197	6,197
			Common Stock	70,000				700	1,080 (8)
			Warrants	18,084		9/13/2028		181	290 (29)
								<u>7,078</u>	<u>7,567</u>
UniTek Global Services, Inc.	(11) 4/15/2011	Provider of Outsourced Infrastructure Services			8.41% (L+6.50%, Floor 1.00%)	8/20/2024	2,963	2,940	2,962 (9)
			Preferred Stock	755,401	20.00% PIK			809	1,889 (8) (19)
			Preferred Stock	1,521,122	19.00% PIK			1,976	2,282 (8) (19)
			Preferred Stock	2,281,682	19.00% PIK			3,667	3,667 (8) (19)
			Preferred Stock	4,336,866	13.50% PIK			7,924	2,684 (8) (19)
			Common Stock	945,507				-	-
							<u>17,316</u>	<u>13,484</u>	
Universal Wellhead Services Holdings, LLC (10)	10/30/2014	Provider of Wellhead Equipment, Designs, and Personnel to the Oil & Gas Industry	Preferred Member Units	716,949	14.00% PIK			1,032	800 (8) (19) (34)
			Member Units	4,000,000				4,000	- (34)
								<u>5,032</u>	<u>800</u>
Volution, LLC	1/26/2015	Provider of Online Software-as-a-Service eCommerce Solutions	Secured Debt		11.50%	1/26/2020	20,234	20,162	19,352
			Unsecured Convertible Debt		8.00%	11/16/2023	409	409	291
			Preferred Member Units	4,876,670				14,000	14,000
			Warrants	1,831,355		1/26/2025		2,576	150 (29)
								<u>37,147</u>	<u>33,793</u>
Subtotal Affiliate Investments (21.5% of net assets at fair value)								<u>\$ 351,764</u>	<u>\$ 330,287</u>

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Non-Control/Non-Affiliate Investments (7)									
AAC Holdings, Inc.	(11)	6/30/2017	Substance Abuse Treatment Service Provider						
			Secured Debt		13.03% (L+11.00%, Floor 1.00%)	4/15/2020	2,227	2,068	2,172 (9) (14)
			Secured Debt		16.50% (L+12.75%, Floor 1.00%)	6/30/2023	14,396	14,030	9,358 (9) (14)
								16,098	11,530
Adams Publishing Group, LLC	(10)	11/19/2015	Local Newspaper Operator						
			Secured Debt		8.75% (Prime+5.00%, Floor 1.50%)	7/3/2023	5,000	4,930	5,000 (9)
			Secured Debt		9.44% (L+7.50%, Floor 1.50%)	7/3/2023	6,158	6,058	6,158 (9)
			Secured Debt		9.50% (L+7.50%, Floor 1.50%)	7/3/2023	197	197	197 (9)
								11,185	11,355
ADS Tactical, Inc.	(10)	3/7/2017	Value-Added Logistics and Supply Chain Provider to the Defense Industry						
			Secured Debt		8.03% (L+6.25%, Floor 0.75%)	7/26/2023	19,843	19,703	19,843 (9)
Aethon United BR LP	(10)	9/8/2017	Oil & Gas Exploration & Production						
			Secured Debt		8.46% (L+6.75%, Floor 1.00%)	9/8/2023	9,750	9,630	9,531 (9)
Affordable Care Holding Corp.	(10)	5/9/2019	Dental Service Organization						
			Secured Debt		6.59% (L+4.75%, Floor 1.00%)	10/22/2022	14,396	14,126	14,036 (9)
ALKU, LLC.	(11)	10/18/2019	Specialty National Staffing Operator						
			Secured Debt		7.44% (L+5.50%, Floor 1.00%)	7/29/2026	10,000	9,902	9,883 (9)
Allen Media, LLC.	(11)	9/18/2018	Operator of Cable Television Networks						
			Secured Debt		8.48% (L+6.50%, Floor 1.00%)	8/30/2023	16,270	15,894	15,863 (9)
Allen Media Broadcasting LLC	(10)	7/3/2019	Operator of Television Broadcasting Networks						
			Secured Debt		8.21% (L+6.25%, Floor 1.00%)	7/3/2024	14,906	14,565	14,565 (9)
American Nuts, LLC	(10)	4/10/2018	Roaster, Mixer and Packager of Bulk Nuts and Seeds						
			Secured Debt		11.60% (L+9.50%, Floor 1.00%)	4/10/2023	12,243	12,002	12,233 (9)
American Teleconferencing Services, Ltd.	(11)	5/19/2016	Provider of Audio Conferencing and Video Collaboration Solutions						
			Secured Debt		8.36% (L+6.50%, Floor 1.00%)	6/8/2023	17,389	16,421	10,460 (9)
APTIM Corp.	(11)	8/17/2018	Engineering, Construction & Procurement						
			Secured Debt		7.75%	6/15/2025	12,452	10,836	7,471

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Arcus Hunting LLC	(10) 1/6/2015	Manufacturer of Bowhunting and Archery Products and Accessories	Secured Debt		12.10% (L+10.00%, Floor 1.00%)	1/13/2020	13,857	13,856	13,856 (9)
ASC Ortho Management Company, LLC	(10) 8/31/2018	Provider of Orthopedic Services	Secured Debt		9.60% (L+7.50%, Floor 1.00%)	8/31/2023	4,543	4,465	4,490 (9)
			Secured Debt		13.25% PIK	12/1/2023	1,854	<u>1,821</u>	<u>1,854</u> (19)
								<u>6,286</u>	<u>6,344</u>
ATI Investment Sub, Inc.	(11) 7/11/2016	Manufacturer of Solar Tracking Systems	Secured Debt		9.01% (L+7.25%, Floor 1.00%)	6/22/2021	2,885	2,859	2,853 (9)
ATX Networks Corp.	(11) (13) (21) 6/30/2015	Provider of Radio Frequency Management Equipment	Secured Debt		8.94% (7.94% Current, 1.00% PIK) (L+6.00%, Floor 1.00%)	6/11/2021	13,593	13,414	12,743 (9) (19)
Barfly Ventures, LLC	(10) 8/31/2015	Casual Restaurant Group	Secured Debt		12.00%	8/31/2020	10,185	10,073	7,736
			Options	3				607	-
			Warrants	2		8/31/2025		<u>473</u>	<u>-</u> (37)
								<u>11,153</u>	<u>7,736</u>
Berry Aviation, Inc.	(10) 7/6/2018	Charter Airline Services	Secured Debt		12.00% (10.50% Current, 1.50% PIK)	1/6/2024	4,554	4,518	4,554 (19)
			Preferred Member Units	122,416	16.00% PIK			125	125 (8) (19) (34)
			Preferred Member Units	1,548,387	8.00% PIK			<u>1,671</u>	<u>776</u> (8) (19) (34)
								<u>6,314</u>	<u>5,455</u>
BigName Commerce, LLC	(10) 5/11/2017	Provider of Envelopes and Complimentary Stationery Products	Secured Debt		9.35% (L+7.25%, Floor 1.00%)	5/11/2022	2,233	2,218	2,233 (9)
Binswanger Enterprises, LLC	(10) 3/10/2017	Glass Repair and Installation Service Provider	Secured Debt		10.41% (L+8.50%, Floor 1.00%)	3/9/2022	13,731	13,443	13,731 (9)
			Member Units	1,050,000				<u>1,050</u>	<u>950</u>
								<u>14,493</u>	<u>14,681</u>
Bluestem Brands, Inc.	(11) 12/19/2013	Multi-Channel Retailer of General Merchandise	Secured Debt		9.31% (L+7.50%, Floor 1.00%)	11/6/2020	10,622	10,571	7,973 (9)
Bojangles', Inc.	(11) 2/5/2019	Quick Service Restaurant Group	Secured Debt		6.50% (L+4.75%)	1/28/2026	7,782	7,642	7,827
			Secured Debt		10.25% (L+8.50%)	1/28/2027	5,000	<u>4,907</u>	<u>5,012</u>
								<u>12,549</u>	<u>12,839</u>
Brainworks Software, LLC	(10) 8/12/2014	Advertising Sales and Newspaper Circulation Software	Secured Debt		4.00%	7/22/2019	6,733	6,733	5,955 (9) (17)

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Consolidated Schedule of Investments (Continued)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Brightwood Capital Fund Investments	(12) (13)	7/21/2014 Investment Partnership	LP Interests	1.6%				11,160	9,005 (8) (35) (36)
			LP Interests	0.6%				4,500	4,504 (8) (35) (36)
								<u>15,660</u>	<u>13,509</u>
Cadence Aerospace LLC	(10)	11/14/2017 Aerostructure Manufacturing	Secured Debt		8.40% (L+6.50%, Floor 1.00%)	11/14/2023	25,287	25,089	25,287 (9)
California Pizza Kitchen, Inc.	(11)	8/29/2016 Casual Restaurant Group	Secured Debt		7.91% (L+6.00%, Floor 1.00%)	8/23/2022	14,599	14,501	12,739 (9)
Central Security Group, Inc.	(11)	12/4/2017 Security Alarm Monitoring Service Provider	Secured Debt		7.38% (L+5.63%, Floor 1.00%)	10/6/2021	13,776	13,734	11,985 (9)
Cenveo Corporation	(11)	9/4/2015 Provider of Digital Marketing Agency Services	Secured Debt		11.45% (L+9.50%, Floor 1.00%)	6/7/2023	5,674	5,498	5,674 (9)
			Common Stock	177,130				<u>5,309</u>	<u>2,923</u>
								<u>10,807</u>	<u>8,597</u>
Chisholm Energy Holdings, LLC	(10)	5/15/2019 Oil & Gas Exploration & Production	Secured Debt		8.16% (L+6.25%, Floor 1.50%)	5/15/2026	3,571	3,488	3,488 (9)
Clarius BIGS, LLC	(10)	9/23/2014 Prints & Advertising Film Financing	Secured Debt		15.00% PIK	1/5/2015	2,846	2,846	40 (14) (17)
Clickbooth.com, LLC	(10)	12/5/2017 Provider of Digital Advertising Performance Marketing Solutions	Secured Debt		10.59% (L+8.50%, Floor 1.00%)	12/5/2022	2,663	2,625	2,663 (9)
Construction Supply Investments, LLC	(10)	12/29/2016 Distribution Platform of Specialty Construction Materials to Professional Concrete and Masonry Contractors	Member Units	46,152				4,866	7,667
Corel Corporation	(11) (13) (21)	7/24/2019 Publisher of Desktop and Cloud-based Software	Secured Debt		6.91% (L+5.00%, Floor 1.00%)	7/2/2026	15,000	14,293	14,531 (9)
CTVSH, PLLC	(10)	8/3/2017 Emergency Care and Specialty Service Animal Hospital	Secured Debt		9.91% (L+8.00%, Floor 1.00%)	8/3/2022	10,099	10,039	10,099 (9)
Darr Equipment LP	(10)	4/15/2014 Heavy Equipment Dealer	Secured Debt		12.50% (11.50% Current, 1.00% PIK)	6/22/2023	5,899	5,899	5,899 (19)
			Warrants	915,734			12/23/2023	<u>474</u>	<u>300</u>
								<u>6,373</u>	<u>6,199</u>
Digital River, Inc.	(11)	2/24/2015 Provider of Outsourced e-Commerce Solutions and Services	Secured Debt		7.90% (L+6.00%, Floor 1.00%)	2/12/2021	15,876	15,771	15,837 (9)

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(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
DTE Enterprises, LLC	(10)	4/13/2018	Industrial Powertrain Repair and Services		9.24% (L+7.50%, Floor 1.50%)	4/13/2023	10,992	10,827	10,982 (9)
					10.00% PIK			860	860 (8) (19)
				776,316			<u>776</u>	<u>1,490</u>	
							<u>12,463</u>	<u>13,332</u>	
Dynamic Communities, LLC	(10)	7/17/2018	Developer of Business Events and Online Community Groups		9.75% (L+8.00%, Floor 1.00%)	7/17/2023	5,460	5,375	5,458 (9)
Echo US Holdings, LLC.	(10)	11/12/2019	Developer and Manufacturer of PVC and Polypropylene Materials		7.96% (L+6.25%, Floor 1.63%)	10/25/2024	22,414	22,292	22,292 (9)
EnCap Energy Fund Investments	(12) (13)	12/28/2010	Investment Partnership	LP Interests	0.1%			3,617	1,354 (8) (35) (36)
				LP Interests	0.4%			2,097	703 (35) (36)
				LP Interests	0.1%			4,360	2,780 (8) (35) (36)
				LP Interests	0.1%			8,427	8,822 (8) (35) (36)
				LP Interests	0.8%			7,337	5,669 (8) (35) (36)
				LP Interests	0.2%			<u>6,674</u>	<u>6,677 (8) (35) (36)</u>
									<u>32,512</u>
Encino Acquisition Partners Holdings, Inc.	(11)	11/16/2018	Oil & Gas Exploration & Production		8.50% (L+6.75%, Floor 1.00%)	10/29/2025	9,000	8,921	6,795 (9)
EPIC Y-Grade Services, LP	(11)	6/22/2018	NGL Transportation & Storage		8.04% (L+6.00%)	6/13/2024	10,275	10,116	10,050
Evergreen Skills Lux S.á r.l. (d/b/a Skillsoft)	(11) (13)	5/5/2014	Technology-based Performance Support Solutions		10.45% (L+8.25%, Floor 1.00%)	4/28/2022	6,999	6,928	1,965 (9)
Felix Investments Holdings II	(10)	8/9/2017	Oil & Gas Exploration & Production		8.40% (L+6.50%, Floor 1.00%)	8/9/2022	5,000	4,944	5,000 (9)
Flavors Holdings Inc.	(11)	10/15/2014	Global Provider of Flavoring and Sweetening Products		7.77% (L+5.75%, Floor 1.00%)	4/3/2020	11,297	11,247	10,619 (9)
Fortna, Inc.	(10)	7/23/2019	Process, Physical Distribution and Logistics Consulting Services		6.75% (L+5.00%)	4/8/2025	7,751	7,577	7,577
GeoStabilization International (GSI)	(11)	12/31/2018	Geohazard Engineering Services & Maintenance		7.05% (L+5.25%)	12/19/2025	16,376	16,230	16,335
GoWireless Holdings, Inc.	(11)	12/31/2017	Provider of Wireless Telecommunications Carrier Services		8.25% (L+6.50%, Floor 1.00%)	12/22/2024	18,120	17,964	17,471 (9)

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Grupo Hima San Pablo, Inc.	(11)	3/7/2013	Tertiary Care Hospitals		8.91% (L+7.00%, Floor 1.50%)	4/30/2019	4,504	4,504	3,343 (9) (17)
				Secured Debt	13.75%	10/15/2018	2,055	<u>2,040</u>	<u>167</u> (17)
							6,544	3,510	
GS HVAM Intermediate, LLC	(10)	10/18/2019	Specialized Food Distributor		7.51% (L+5.75%, Floor 1.00%)	10/2/2024	11,364	11,233	11,233 (9)
HDC/HW Intermediate Holdings	(10)	12/21/2018	Managed Services and Hosting Provider		9.53% (L+7.50%, Floor 1.00%)	12/21/2023	3,498	3,440	3,493 (9)
Hoover Group, Inc.	(10) (13)	10/21/2016	Provider of Storage Tanks and Related Products to the Energy and Petrochemical Markets		9.26% (L+7.25%, Floor 1.00%)	1/28/2021	20,764	20,119	19,206 (9)
Hunter Defense Technologies, Inc.	(10)	3/29/2018	Provider of Military and Commercial Shelters and Systems		9.02% (L+7.00%, Floor 1.00%)	3/29/2023	29,097	28,659	29,097 (9)
HW Temps LLC		7/2/2015	Temporary Staffing Solutions		8.00%	3/29/2023	10,181	10,025	8,913
Hydrofarm Holdings LLC	(10)	5/18/2017	Wholesaler of Horticultural Products		11.80% (3.54% Current, 8.26% PIK) (L+10.00%)	5/12/2022	7,660	7,547	6,414 (19)
Hyperion Materials & Technologies, Inc.	(11) (13)	9/12/2019	Manufacturer of Cutting and Machine Tools & Speciality Polishing Compounds		7.25% (L+5.50%, Floor 1.00%)	8/28/2026	22,500	22,066	22,275 (9)
iEnergizer Limited	(10) (13) (21)	4/17/2019	Provider of Business Outsourcing Solutions		7.79% (L+6.00%, Floor 1.00%)	4/17/2024	12,963	12,848	12,962 (9)
Implus Footcare, LLC	(10)	6/1/2017	Provider of Footwear and Related Accessories		8.27% (L+6.25%, Floor 1.00%)	4/30/2024	18,577	18,178	18,217 (9)
Independent Pet Partners Intermediate Holdings, LLC	(10)	11/20/2018	Omnichannel Retailer of Specialty Pet Products		11.28% (L+9.00%, Floor 1.00%)	11/19/2023	18,799	18,487	18,799 (9)
			Member Units	1,558,333				<u>1,558</u>	<u>1,260</u>
								20,045	20,059
Industrial Services Acquisition, LLC	(10)	6/17/2016	Industrial Cleaning Services		13.00% (6.00% Current, 7.00% PIK)	12/17/2022	5,242	5,174	5,242 (19)
			Preferred Member Units	144	10.00% PIK			103	103 (8) (19) (34)
			Preferred Member Units	80	20.00% PIK			60	60 (8) (19) (34)
			Member Units	900				<u>900</u>	<u>510</u> (34)
								6,237	5,915

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)		Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Inn of the Mountain Gods Resort and Casino	(11)	10/30/2013	Hotel & Casino Owner & Operator	Secured Debt		9.25%	11/30/2020	7,762	7,584	7,684
Interface Security Systems, L.L.C.	(10)	8/7/2019	Commercial Security & Alarm Services	Secured Debt		8.77% (L+7.00%, Floor 1.75%)	8/7/2023	7,500	7,363	7,363 (9)
Intermedia Holdings, Inc.	(11)	8/3/2018	Unified Communications as a Service	Secured Debt		7.75% (L+6.00%, Floor 1.00%)	7/19/2025	20,130	20,033	20,180 (9)
Invincible Boat Company, L.L.C.	(10)	8/28/2019	Manufacturer of Sport Fishing Boats	Secured Debt		8.53% (L+6.50%, Floor 1.00%)	8/28/2025	9,872	9,773	9,773 (9)
Isagenix International, LLC	(11)	6/21/2018	Direct Marketer of Health & Wellness Products	Secured Debt		7.77% (L+5.75%, Floor 1.00%)	6/14/2025	5,943	5,893	4,273 (9)
JAB Wireless, Inc.	(10)	5/2/2018	Fixed Wireless Broadband Provider	Secured Debt		9.74% (L+8.00%, Floor 1.00%)	5/2/2023	14,775	14,669	14,775 (9)
Jackmont Hospitality, Inc.	(10)	5/26/2015	Franchisee of Casual Dining Restaurants	Secured Debt		8.45% (L+6.75%, Floor 1.00%)	5/26/2021	4,059	4,055	4,059 (9)
Joerns Healthcare, LLC	(11)	4/3/2013	Manufacturer and Distributor of Health Care Equipment & Supplies	Secured Debt Common Stock	472,579	7.91% (L+6.00%, Floor 1.00%)	8/21/2024	4,016	3,942 4,429	3,942 (9) 4,429
								8,371	8,371	
Kemp Technologies Inc.	(10)	6/27/2019	Provider of Application Delivery Controllers	Secured Debt		8.00% (L+6.25%, Floor 1.00%)	3/29/2024	7,462	7,326	7,463 (9)
Kore Wireless Group Inc.	(11)	12/31/2018	Mission Critical Software Platform	Secured Debt		7.52% (L+5.50%)	12/20/2024	19,285	19,189	19,164
Larchmont Resources, LLC	(11)	8/13/2013	Oil & Gas Exploration & Production	Secured Debt Member Units	2,828	8.89% (L+7.00%, (Floor 1.00%)	8/7/2020	2,145	2,145 353	1,990 (9) 707 (34)
								2,498	2,697	
Laredo Energy VI, LP	(10)	1/15/2019	Oil & Gas Exploration & Production	Secured Debt		11.64% (5.38% Current, 6.26% PIK) (L+9.63%, Floor 2.00%)	11/19/2021	11,312	11,166	10,638 (9) (19)
Lightbox Holdings, L.P.	(11)	5/23/2019	Provider of Commercial Real Estate Software	Secured Debt		6.74% (L+5.00%)	5/9/2026	14,925	14,713	14,738
LKCM Headwater Investments I, L.P.	(12) (13)	1/25/2013	Investment Partnership	LP Interests	2.3%				1,746	3,682 (8) (35) (36)

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
LL Management, Inc.	(10)	5/2/2019 Medical Transportation Service Provider	Secured Debt		8.56% (L+6.50%, Floor 1.00%)	9/25/2023	13,754	13,625	13,751 (9)
Logix Acquisition Company, LLC	(10)	6/24/2016 Competitive Local Exchange Carrier	Secured Debt		7.50% (L+5.75%, Floor 1.00%)	12/22/2024	18,381	18,199	18,197 (9)
Looking Glass Investments, LLC	(12) (13)	7/1/2015 Specialty Consumer Finance	Member Units	3				125	25
			Member Units	190,712				49	16 (34)
								174	41
LSF9 Atlantis Holdings, LLC	(11)	5/17/2017 Provider of Wireless Telecommunications Carrier Services	Secured Debt		7.74% (L+6.00%, Floor 1.00%)	5/1/2023	9,458	9,458	8,761 (9)
Lulu's Fashion Lounge, LLC	(10)	8/31/2017 Fast Fashion E-Commerce Retailer	Secured Debt		10.75% (L+9.00%, Floor 1.00%)	8/28/2022	11,335	11,070	11,109 (9)
Lynx FBO Operating LLC	(10)	9/30/2019 Fixed Based Operator in the General Aviation Industry	Secured Debt		7.86% (L+5.75%, Floor 1.00%)	9/30/2024	13,750	13,451	13,451 (9)
			Member Units	3,704				500	500
								13,951	13,951
Mac Lean-Fogg Company	(10)	4/22/2019 Manufacturer and Supplier for Auto and Power Markets	Secured Debt		6.75% (L+5.00%)	12/22/2025	16,648	16,528	16,643
			Preferred Stock	1,516	13.75% (4.50% Cash, 9.25% PIK)		1,775	1,775	1,775 (8) (19)
								18,303	18,418
MHVC Acquisition Corp.	(11)	5/8/2017 Provider of differentiated information solutions, systems engineering, and analytics	Secured Debt		7.01% (L+5.25%, Floor 1.00%)	4/29/2024	19,950	19,855	19,950 (9)
Mills Fleet Farm Group, LLC	(10)	10/24/2018 Omnichannel Retailer of Work, Farm and Lifestyle Merchandise	Secured Debt		9.04% (8.29% Current, 0.75% PIK) (L+6.25%, Floor 1.00%)	10/24/2024	14,879	14,556	14,187 (9) (19)
NBG Acquisition Inc	(11)	4/28/2017 Wholesaler of Home Décor Products	Secured Debt		7.52% (L+5.50%, Floor 1.00%)	4/26/2024	4,181	4,134	3,247 (9)
NinjaTrader, LLC	(10)	12/18/2019 Operator of Futures Trading Platform	Secured Debt		7.90% (L+6.00%, Floor 1.50%)	12/18/2024	9,675	9,490	9,490 (9)
NNE Partners, LLC	(10)	3/2/2017 Oil & Gas Exploration & Production	Secured Debt		9.91% (L+8.00%)	3/2/2022	23,417	23,268	23,147

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
North American Lifting Holdings, Inc.	(11)	2/26/2015 Crane Service Provider	Secured Debt		6.52% (L+4.50%, Floor 1.00%)	11/27/2020	7,584	7,300	6,417 (9)
Novetta Solutions, LLC	(11)	6/21/2017 Provider of Advanced Analytics Solutions for Defense Agencies	Secured Debt		6.76% (L+5.00%, Floor 1.00%)	10/17/2022	21,060	20,673	20,749 (9)
NTM Acquisition Corp.	(11)	7/12/2016 Provider of B2B Travel Information Content	Secured Debt		8.00% (L+6.25%, Floor 1.00%)	6/7/2022	4,879	4,874	4,879 (9)
Ospemifene Royalty Sub LLC (QuatRx)	(10)	7/8/2013 Estrogen-Deficiency Drug Manufacturer and Distributor	Secured Debt		11.50%	11/15/2026	4,868	4,868	463 (14)
PaySimple, Inc.	(10)	9/9/2019 Leading technology services commerce platform	Secured Debt		7.28% (L+5.50%, Floor 1.00%)	8/23/2025	15,845	15,586	15,766 (9)
Permian Holdco 2, Inc.	(11)	2/12/2013 Storage Tank Manufacturer	Unsecured Debt Unsecured Debt Preferred Stock	154,558	14.00% PIK 18.00% PIK	10/15/2021 6/30/2022	456 319	456 319 799	341 (19) 319 (19) 100 (34) <u>1,574</u> 760
Point360	(10)	7/8/2015 Fully Integrated Provider of Digital Media Services	Warrants Common Stock	65,463 163,658		7/7/2020		69 273 <u>342</u>	- (38) - -
PricewaterhouseCoopers Public Sector LLP	(11)	5/24/2018 Provider of Consulting Services to Governments	Secured Debt		9.75% (L+8.00%)	5/1/2026	9,000	8,965	8,865
PT Network, LLC	(10)	11/1/2013 Provider of Outpatient Physical Therapy and Sports Medicine Services	Secured Debt		9.44% (7.44% Current, 2.00% PIK) (L+5.50%, Floor 1.00%)	11/30/2023	8,491	8,491	8,414 (9) (19)
Research Now Group, Inc. and Survey Sampling International, LLC	(11)	12/31/2017 Provider of Outsourced Online Surveying	Secured Debt		7.41% (L+5.50%, Floor 1.00%)	12/20/2024	18,115	17,590	18,140 (9)
RM Bidder, LLC	(10)	11/12/2015 Scripted and Unscripted TV and Digital Programming Provider	Warrants Member Units	327,532 2,779		10/20/2025		425 46 <u>471</u>	- (32) 18 18
SAFETY Investment Holdings, LLC		4/29/2016 Provider of Intelligent Driver Record Monitoring Software and Services	Member Units	2,000,000				2,000	2,380
Salient Partners L.P.	(11)	6/25/2015 Provider of Asset Management Services	Secured Debt		7.69% (L+6.00%, Floor 1.00%)	6/9/2021	6,675	6,657	6,675 (9)

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
SMART Modular Technologies, Inc.	(10) (13)	8/18/2017 Provider of Specialty Memory Solutions	Secured Debt		8.16% (L+6.25%, Floor 1.00%)	8/9/2022	18,484	18,332	18,669 (9)
Staples Canada ULC	(10) (13) (21)	9/14/2017 Office Supplies Retailer	Secured Debt		8.98% (L+7.00%, Floor 1.00%)	9/12/2024	14,546	14,348	13,530 (9) (22)
TE Holdings, LLC	(11)	12/5/2013 Oil & Gas Exploration & Production	Member Units	97,048				970	-
TEAM Public Choices, LLC	(10)	10/28/2019 Home-Based Care Employer Service Provider	Secured Debt		7.75% (L+6.00%, Floor 1.00%)	9/20/2024	16,844	16,680	16,680 (9)
Tectonic Financial, Inc.		5/15/2017 Financial Services Organization	Common Stock	400,000				2,000	2,620 (8)
TGP Holdings III LLC	(11)	9/30/2017 Outdoor Cooking & Accessories	Secured Debt		10.25% (L+8.50%, Floor 1.00%)	9/25/2025	5,500	5,440	5,143 (9)
The Pasha Group	(11)	2/2/2018 Diversified Logistics and Transportation Provided	Secured Debt		9.31% (L+7.50%, Floor 1.00%)	1/26/2023	8,984	8,793	9,074 (9)
TMC Merger Sub Corp.	(11)	12/22/2016 Refractory & Maintenance Services Provider	Secured Debt		8.53% (L+6.75%, Floor 1.00%)	10/31/2022	15,527	15,394	15,392 (9) (24)
TOMS Shoes, LLC	(11)	11/13/2014 Global Designer, Distributor, and Retailer of Casual Footwear	Secured Debt		7.46% (L+5.50%, Floor 1.00%)	9/30/2025	571	571	571 (9)
			Secured Debt		6.96% (L+5.00%, Floor 1.00%)	12/31/2025	1,637	1,637	1,637 (9)
			Member Units	16,321				245	245
								2,453	2,453
USA DeBusk LLC	(10)	10/22/2019 Provider of Industrial Cleaning Services	Secured Debt		7.54% (L+5.75%, Floor 1.00%)	10/22/2024	30,000	29,423	29,423 (9)
U.S. TelePacific Corp.	(11)	9/14/2016 Provider of Communications and Managed Services	Secured Debt		7.02% (L+5.00%, Floor 1.00%)	5/2/2023	17,088	16,887	16,447 (9)
Vida Capital, Inc	(11)	10/10/2019 Alternative Asset Manager	Secured Debt		7.93% (L+6.00%)	10/1/2026	18,500	18,232	18,315
VIP Cinema Holdings, Inc.	(11)	3/9/2017 Supplier of Luxury Seating to the Cinema Industry	Secured Debt		9.91% (L+8.00%, Floor 1.00%)	3/1/2023	10,063	10,030	5,301 (9) (14)

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

Portfolio Company (1) (20)	Investment Date (24)	Business Description	Type of Investment (2) (3) (15)	Shares/Units	Rate	Maturity Date	Principal (4)	Cost (4)	Fair Value (18)
Vistar Media, Inc.	(10)	2/17/2017 Operator of Digital Out-of-Home Advertising Platform							
			Secured Debt		10.00% (L+8.00%, Floor 1.00%)	4/3/2023	4,963	4,784	4,939 (9)
			Preferred Stock	70,207				767	1,610
			Warrants	69,675		4/3/2029		-	1,630 (33)
								5,551	8,179
Wireless Vision Holdings, LLC	(10)	9/29/2017 Provider of Wireless Telecommunications Carrier Services							
			Secured Debt		12.57% (11.57% Current, 1.00% PIK) (L+9.65%, Floor 1.00%)	9/29/2022	7,136	7,022	7,129 (9) (19) (23)
			Secured Debt		11.67% (10.67% Current, 1.00% PIK) (L+8.91%, Floor 1.00%)	9/29/2022	6,201	6,132	6,200 (9) (19) (23)
								13,154	13,329
YS Garments, LLC	(11)	8/22/2018 Designer and Provider of Branded Activewear							
			Secured Debt		7.60% (L+6.00%, Floor 1.00%)	8/9/2024	14,531	14,412	14,404 (9)
Zilliant Incorporated		6/15/2012 Price Optimization and Margin Management Solutions							
			Preferred Stock	186,777				154	260
			Warrants	952,500		6/15/2022		1,071	1,190 (30)
								1,225	1,450
Subtotal Non-Control/Non-Affiliate Investments (80.7% of net assets at fair value)								\$ 1,297,587	\$ 1,239,316
Total Portfolio Investments, December 31, 2019 (169.4% of net assets at fair value)								\$ 2,427,718	\$ 2,602,324

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

- (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 Facility 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 and Schedule 12-14 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% (inclusive) 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, 2019. As noted in this schedule, 64% of the loans (based on the par amount) contain LIBOR floors which range between 0.50% and 2.00%, with a weighted-average LIBOR floor of approximately 1.06%.
- (10) Private Loan portfolio investment. See Note B for a description of Private Loan portfolio investments.
- (11) Middle Market portfolio investment. See Note B for a description of Middle Market portfolio investments.
- (12) Other Portfolio investment. See Note B for a description of Other Portfolio investments.
- (13) Investment is not a qualifying asset as defined under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets.
- (14) Non-accrual and non-income producing investment.
- (15) Portfolio company is in a bankruptcy process and, as such, the maturity date of our debt investment in this portfolio company will not be finally determined until such process is complete. As noted in footnote (14), our debt investment in this portfolio company is on non-accrual status.
- (16) External Investment Manager. Investment is not encumbered as security for the Company's Credit Facility 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) Investment fair value was determined using significant unobservable inputs, unless otherwise noted. See Note C for further discussion.
- (19) PIK interest income and cumulative dividend income represent income not paid currently in cash.
- (20) All portfolio company headquarters are based in the United States, unless otherwise noted.
- (21) Portfolio company headquarters are located outside of the United States.
- (22) In connection with the Company's debt investment in Staples Canada ULC and in an attempt to mitigate any potential adverse change in foreign exchange rates during the term of the Company's investment, the Company maintains a forward foreign currency contract with Cadence Bank to lend \$17.6 million Canadian Dollars and receive \$13.4 million U.S. Dollars with a settlement date of September 14, 2020. The unrealized depreciation on the forward foreign currency contract is \$0.2 million as of December 31, 2019.

MAIN STREET CAPITAL CORPORATION

Consolidated Schedule of Investments (Continued)

December 31, 2019

(dollars in thousands)

- (23) The Company has entered into an intercreditor agreement that entitles the Company to the "last out" tranche of the first lien secured loans, whereby the "first out" tranche will receive priority as to the "last out" tranche with respect to payments of principal, interest, and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 8.50% (Floor 1.00%) per the credit agreement and the Consolidated Schedule of Investments above reflects such higher rate.
- (24) The Company has entered into an intercreditor agreement that entitles the Company to the "first out" tranche of the first lien secured loans, whereby the "first out" tranche will receive priority as to the "last out" tranche with respect to payments of principal, interest, and any other amounts due thereunder. Therefore, the Company receives a lower interest rate than the contractual stated interest rate of LIBOR plus 7.14% (Floor 1.00%) per the credit agreement and the Consolidated Schedule of Investments above reflects such lower rate.
- (25) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities."
- (26) Investment date represents the date of initial investment in the portfolio company.
- (27) Investment has an unfunded commitment as of December 31, 2019 (see Note K). The fair value of the investment includes the impact of the fair value of any unfunded commitments.
- (28) Investment date represents the date of initial investment in the portfolio company.
- (29) Warrants are presented in equivalent shares/units with a strike price of \$0.01 per share/unit.
- (30) Warrants are presented in equivalent shares with a strike price of \$0.001 per share.
- (31) Warrants are presented in equivalent units with a strike price of \$1.50 per unit.
- (32) Warrants are presented in equivalent units with a strike price of \$14.28 per unit.
- (33) Warrants are presented in equivalent shares with a strike price of \$10.92 per share.
- (34) Shares/Units represent ownership in an underlying Real Estate or HoldCo entity.
- (35) Investment is not unitized. Presentation is made in percent of fully diluted ownership unless otherwise indicated.
- (36) Investment is in an underlying Limited Partnership that is managed by the respective Portfolio Company.
- (37) Warrants are presented in equivalent units with a strike price of \$1.00 per unit.
- (38) Warrants are presented in equivalent shares with a strike price of \$0.75 per share.

MAIN STREET CAPITAL CORPORATION

Notes to Consolidated Financial Statements

NOTE A—ORGANIZATION AND BASIS OF PRESENTATION

1. Organization

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

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

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

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

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.

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

2. Basis of Presentation

Main Street’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The Company is an investment company following accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services—Investment Companies* (“ASC 946”). 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 (as defined in Note C) portfolio investments, Other Portfolio (as defined in Note C) investments and the investment in the External Investment Manager (see “Note C—Fair Value Hierarchy for Investments and Debentures—Portfolio Composition—Investment Portfolio Composition” for additional discussion of Main Street’s Investment Portfolio). Main Street’s results of operations for the years ended December 31, 2020, 2019 and 2018, cash flows for the years ended December 31, 2020, 2019 and 2018 and financial position as of December 31, 2020 and 2019, are presented on a consolidated basis. The effects of all intercompany transactions between Main Street and its consolidated subsidiaries have been eliminated in consolidation.

Principles of Consolidation

Under ASC 946, Main Street is precluded from consolidating other entities in which Main Street has equity investments, including those in which it has a controlling interest, unless the other entity is another investment company. An exception to this general principle in ASC 946 occurs if Main Street holds a controlling interest in an operating company that provides all or substantially all of its services directly to Main Street or to its portfolio companies. Accordingly, as noted above, MSCC’s consolidated financial statements include the financial position and operating results for the Funds and the Taxable Subsidiaries. Main Street has determined that none of its portfolio investments 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.1., with any adjustments to fair value recognized as “Net 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% (inclusive) 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. For purposes of determining the classification of its Investment Portfolio, Main Street has excluded consideration of any voting securities or board appointment rights held by funds advised by the External Investment Manager.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of the Investment Portfolio

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

Main Street’s portfolio strategy calls for it to invest primarily in illiquid debt and equity securities issued by privately held, LMM companies and more liquid debt securities issued by Middle Market companies that are generally larger in size than the LMM companies. Main Street categorizes some of its investments in LMM companies and Middle Market companies as Private Loan portfolio investments, which are primarily debt securities in privately held companies that have been originated through strategic relationships with other investment funds on a collaborative basis, and are often referred to in the debt markets as “club deals.” Private Loan investments are typically similar in size, structure, terms and conditions to investments Main Street holds in its LMM portfolio and Middle Market portfolio. Main Street’s

portfolio also includes Other Portfolio investments which primarily consist of investments that are not consistent with the typical profiles for its LMM portfolio investments, Middle Market portfolio investments or Private Loan portfolio investments, including investments which may be managed by third parties. Main Street's portfolio investments may be subject to restrictions on resale.

LMM investments and Other Portfolio investments generally have no established trading market while Middle Market securities generally have established markets that are not active. Private Loan investments may include investments which have no established trading market or have established markets that are not active. Main Street determines in good faith the fair value of its Investment Portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by its Board of Directors and in accordance with the 1940 Act. Main Street's valuation policies and processes are intended to provide a consistent basis for determining the fair value of Main Street's Investment Portfolio.

For LMM portfolio investments, Main Street generally reviews external events, including private mergers, sales and acquisitions involving comparable companies, and includes these events in the valuation process by using an enterprise value waterfall methodology ("Waterfall") for its LMM equity investments and an income approach using a yield-to-maturity model ("Yield-to-Maturity") for its LMM debt investments. For Middle Market portfolio investments, Main Street primarily uses quoted prices in the valuation process. Main Street determines the appropriateness of the use of third-party broker quotes, if any, in determining fair value based on its understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. For Middle Market and Private Loan portfolio investments in debt securities for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value the investment in a current hypothetical sale using the Yield-to-Maturity valuation method. For its Other Portfolio equity investments, Main Street generally calculates the fair value of the investment primarily based on the net asset value ("NAV") of the fund and adjusts the fair value for other factors deemed relevant 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, privately held companies are bought and sold based on multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues, or in limited cases, book value. There is no single methodology for estimating enterprise value. For any one portfolio company, enterprise value is generally described as a range of values from which a single estimate of enterprise value is derived. In estimating the enterprise value of a portfolio company, Main Street analyzes various factors including the portfolio company's historical and projected financial results. Due to SEC deadlines for Main Street's quarterly and annual financial reporting, the operating results of a portfolio company used in the current period valuation are generally the results from the period ended three months prior to such valuation date and may include unaudited, projected, budgeted or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in determining. 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 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 58 LMM portfolio companies for the year ended December 31, 2020, representing approximately 91% of the total LMM portfolio at fair value as of December 31, 2020, and on a total of 57 LMM portfolio companies for the year ended December 31, 2019, representing approximately 94% of the total LMM portfolio at fair value as of December 31, 2019. Excluding its investments in LMM portfolio companies that, as of December 31, 2020 and 2019, as applicable, had not been in the Investment Portfolio for at least twelve months subsequent to the initial investment or whose primary purpose is to own real estate

for which a third-party appraisal is obtained on at least an annual basis, the percentage of the LMM portfolio reviewed and certified by its independent financial advisory services firm for the years ended December 31, 2020 and 2019 was 99% of the total LMM portfolio at fair value as of both December 31, 2020 and 2019.

For valuation purposes, all of Main Street's Middle Market portfolio investments are non-control investments. To the extent sufficient observable inputs are available to determine fair value, Main Street uses observable inputs to determine the fair value of these investments through obtaining third-party quotes or other independent pricing. For Middle Market portfolio investments for which it has determined that third-party quotes or other independent pricing are not available or appropriate, Main Street generally estimates the fair value based on the assumptions that it believes hypothetical market participants would use to value such Middle Market debt investments in a current hypothetical sale using the Yield-to-Maturity valuation method and such Middle Market equity investments in a current hypothetical sale using the Waterfall valuation method. Because the vast majority of the Middle Market portfolio investments are typically valued using third-party quotes or other independent pricing services (including 90% and 91% of the Middle Market portfolio investments as of December 31, 2020 and 2019, respectively), Main Street generally does not consult with any financial advisory services firms in connection with determining the fair value of its Middle Market investments.

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

In addition to its internal valuation process, in arriving at estimates of fair value for its investments in its Private Loan portfolio companies, Main Street, among other things, consults with a nationally recognized independent financial advisory services firm. The nationally recognized independent financial advisory services firm analyzes and provides observations and recommendations and an assurance certification regarding the Company's determinations of the fair value of its Private Loan portfolio company investments. The nationally recognized independent financial advisory services firm is generally consulted relative to Main Street's investments in each Private Loan portfolio company at least once every calendar year, and for Main Street's investments in new Private Loan portfolio companies, at least once in the twelve-month period subsequent to the initial investment. In certain instances, Main Street may determine that it is not cost-effective, and as a result is not in its stockholders' best interest, to consult with the nationally recognized independent financial advisory services firm on its investments in one or more Private Loan portfolio companies. Such instances include, but are not limited to, situations where the fair value of Main Street's investment in a Private Loan portfolio company is determined to be insignificant relative to the total Investment Portfolio. Main Street consulted with and received an assurance certification from its independent financial advisory services firm in arriving at its determination of fair value on its investments in a total of 36 Private Loan portfolio companies for the year ended December 31, 2020, representing approximately 66% of the total Private Loan portfolio at fair value as of December 31, 2020, and on a total of 37 Private Loan portfolio companies for the year ended December 31, 2019, representing approximately 62% of the total Private Loan portfolio at fair value as of December 31, 2019. Excluding its investments in Private Loan portfolio companies that, as of December 31, 2020 and 2019, as applicable, had not been in the Investment Portfolio for at least twelve months subsequent to the initial investment and its investments in Private Loan portfolio companies that were not reviewed because the investment is valued based upon third-party quotes or other independent pricing, the percentage of the Private Loan portfolio reviewed and certified by its independent financial advisory services firm for the years ended December 31, 2020 and 2019 was 92% and 94% of the total Private Loan portfolio at fair value as of December 31, 2020 and 2019, respectively.

For valuation purposes, all of Main Street's Other Portfolio investments are non-control investments. Main Street's Other Portfolio investments comprised 3.6% and 4.1% of Main Street's Investment Portfolio at fair value as of December 31, 2020 and 2019, respectively. 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 these investments using the NAV valuation method.

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

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

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

The Board of Directors of Main Street has the final responsibility for overseeing, reviewing and approving, in good faith, Main Street's determination of the fair value for its Investment Portfolio, as well as its valuation procedures, consistent with 1940 Act requirements. Main Street believes its Investment Portfolio as of December 31, 2020 and 2019 approximates fair value as of those dates based on the markets in which Main Street operates and other conditions in existence on those reporting dates.

2. Use of Estimates

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

The COVID-19 pandemic, and the related effect on the U.S. and global economies, has impacted, and threatens to continue to impact, the businesses and operating results of certain of Main Street's portfolio companies, as well as market interest spreads. As a result of these and other current effects of the COVID-19 pandemic, as well as the uncertainty regarding the extent and duration of its impact, the valuation of Main Street's Investment Portfolio is volatile.

3. Cash and Cash Equivalents

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

At December 31, 2020, cash balances totaling \$29.1 million exceeded Federal Deposit Insurance Corporation insurance protection levels, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

4. Interest, Dividend and Fee Income

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

As of December 31, 2020, Main Street’s total Investment Portfolio had seven investments on non-accrual status, which comprised approximately 1.3% of its fair value and 3.6% of its cost. As of December 31, 2019, Main Street’s total Investment Portfolio had eight investments on non-accrual status, which comprised approximately 1.4% of its fair value and 4.8% of its cost.

Main Street holds certain debt and preferred equity instruments in its Investment Portfolio that contain payment-in-kind (“PIK”) interest and cumulative dividend provisions. The PIK interest, computed at the contractual rate specified in each debt agreement, is periodically added to the principal balance of the debt and is recorded as interest income. Thus, the actual collection of this interest may be deferred until the time of debt principal repayment. Cumulative dividends are recorded as dividend income, and any dividends in arrears are added to the balance of the preferred equity investment. The actual collection of these dividends in arrears may be deferred until such time as the preferred equity is redeemed or sold. To maintain RIC tax treatment (as discussed in Note B.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. For the years ended December 31, 2020, 2019, and 2018, (i) approximately 2.8%, 2.0%, and 1.0%, respectively, of Main Street’s total investment income was attributable to PIK interest income not paid currently in cash and (ii) approximately 0.8%, 1.0%, and 1.0%, respectively, of Main Street’s total investment income was attributable to cumulative dividend income not paid currently 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.

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

	Twelve Months Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
Interest, fee and dividend income:			
Interest income	\$ 173,676	\$ 187,381	\$ 177,103
Dividend income	36,373	49,782	46,471
Fee income	12,565	6,210	9,781
Total interest, fee and dividend income	\$ 222,614	\$ 243,373	\$ 233,355

5. Deferred Financing Costs

Deferred financing costs include commitment fees and other costs related to Main Street's multi-year revolving credit facility (the "Credit Facility") and its unsecured notes, as well as the commitment fees and leverage fees (approximately 3.4% of the total commitment and draw amounts, as applicable) on the SBIC debentures, which are not accounted for under the fair value option under ASC 825 (as discussed further in Note B.11.). See further discussion of Main Street's debt in Note E. Deferred financing costs in connection with the Credit Facility are capitalized as an asset. Deferred financing costs in connection with all other debt arrangements not using the fair value option are a direct deduction from the related debt liability.

6. Equity Offering Costs

The Company's offering costs are charged against the proceeds from equity offerings when the proceeds are received.

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

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

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

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

To maintain RIC tax treatment (as discussed in Note B.9. below), these non-cash sources of income may need to be paid out to stockholders in the form of distributions, even though Main Street may not have collected the interest income. For the years ended December 31, 2020, 2019 and 2018, approximately 2.7%, 2.7% and 3.0%, respectively, of Main Street's total investment income was attributable to interest income from the accretion of discounts associated with debt investments, net of any premium reduction.

8. Share-Based Compensation

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

Main Street has also adopted Accounting Standards Update (“ASU”) 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which requires that all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) be recognized as income tax expense or benefit in the income statement and not delay recognition of a tax benefit until the tax benefit is realized through a reduction to taxes payable. Accordingly, the tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. Additionally, Main Street has elected to account for forfeitures as they occur.

9. Income Taxes

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

The Taxable Subsidiaries primarily hold certain portfolio investments for Main Street. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are “pass-through” entities for tax purposes and to continue to comply with the “source-of-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 their book income, or loss, due to temporary book and tax timing differences and permanent differences. The Taxable Subsidiaries are each taxed at their normal corporate tax rates based on their taxable income. The income tax expense, or benefit, if any, and the related tax assets and liabilities, of the Taxable Subsidiaries are reflected in Main Street’s consolidated financial statements.

The External Investment Manager is an indirect wholly owned subsidiary of MSCC owned through a Taxable Subsidiary and is a disregarded entity for tax purposes. The External Investment Manager has entered into a tax sharing agreement with its Taxable Subsidiary owner. Since the External Investment Manager 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, and as a result of the tax sharing agreement with its Taxable Subsidiary owner, for its stand-alone financial reporting purposes the External Investment Manager is treated as if it 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 income tax expense, or benefit, if any, and the related tax assets and liabilities, of the External Investment Manager are reflected in the External Investment Manager’s separate financial statements.

The Taxable Subsidiaries and the External Investment Manager use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. A valuation allowance is provided, if necessary, against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Our stockholder’s equity includes an adjustment to classification as a result of permanent book-to-tax differences, which include differences in the book and tax treatment of income and expenses.

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

10. Net Realized Gains or Losses and Net 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 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.

As part of Main Street's acquisition of the majority of the equity interests of MSC II in January 2010 (the "MSC II Acquisition"), Main Street elected the fair value option under ASC 825, *Financial Instruments* ("ASC 825"), relating to accounting for debt obligations at their fair value, for the MSC II SBIC debentures acquired as part of the acquisition accounting related to the MSC II Acquisition and valued those obligations as discussed further in Note C. In order to provide for a more consistent basis of presentation, Main Street elected 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 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 February 2016, the FASB issued ASU 2016 02, *Leases*, which amended the FASB Accounting Standards Codification and created ASC 842, *Leases* ("ASC 842"), to require 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, utilizing a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance in ASC 842 also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. Main Street adopted ASC 842 effective January 1, 2019. Under ASC 842, Main Street evaluates leases to determine if the leases are considered financing or operating leases. Main Street currently has one operating lease for office space for which it has recorded a right-of-use asset and lease liability for the operating lease obligation. Non-lease components (maintenance, property tax, insurance and parking) are not included in the lease cost. The lease asset is presented as a single lease cost that is amortized on a straight-line basis over the life of the lease.

In March 2020, the FASB issued ASU 2020-04, “Reference rate reform (Topic 848)—Facilitation of the effects of reference rate reform on financial reporting.” The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to certain contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform and became effective upon issuance for all entities. The Company has agreements that have LIBOR as a reference rate with certain portfolio companies and also with certain lenders. Many of these agreements include language for choosing an alternative successor rate if LIBOR reference is no longer considered to be appropriate. Contract modifications are required to be evaluated in determining whether the modifications result in the establishment of new contracts or the continuation of existing contracts. The Company adopted this amendment in March 2020 and plans to apply the amendments in this update to account for contract modifications due to changes in reference rates. The Company continues to evaluate the impact that the amendments in this update will have on its consolidated financial statements and disclosures when applied.

In May 2020, the SEC published Release No. 33-10786 (the “May 2020 Release”), *Amendments to Financial Disclosures about Acquired and Disposed Businesses*, announcing its adoption of rules amending Rule 1-02(w)(2) used in the determination of a significant subsidiary specific to investment companies, including BDCs. In part, the rules adopted pursuant to the May 2020 Release eliminated the use of the asset test, and amended the income and investment tests for determining whether an unconsolidated subsidiary requires additional disclosure in the footnotes of the financial statements. Main Street adopted the rules pursuant to the May 2020 Release during the quarter ended June 30, 2020. The impact of the adoption of these rules on Main Street’s consolidated financial statements was not material.

In December 2020, the SEC published Release No. IC-34084 (the “December 2020 Release”) *Use of Derivatives by Registered Investment Companies and Business Development Companies*, announcing its adoption of rules amending Rule 18f-4 and Rule 6c-11 to provide an updated, comprehensive approach to the regulation of registered investment companies’, including BDCs’, use of derivatives and address investor protection concerns. In part, the rules adopted pursuant to the December 2020 Release require that funds using derivatives generally will have to adopt a derivatives risk management program that a derivatives risk manager administers and that the fund’s board of directors oversees, and comply with an outer limit on fund leverage. Funds that use derivatives only in a limited manner will not be subject to these requirements, but they will have to adopt and implement policies and procedures reasonably designed to manage the fund’s derivatives risks. Funds also will be subject to reporting and recordkeeping requirements regarding their derivatives use. Main Street will adopt the rules pursuant to the December 2020 Release during the quarter ended March 31, 2021. As Main Street is a limited user of derivatives, the impact of the adoption of these rules on the consolidated financial statements is not expected to be material.

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

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

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

Fair Value Hierarchy

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

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

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

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

- Quoted prices for similar assets in active markets (for example, investments in restricted stock);
- Quoted prices for identical or similar assets in non-active markets (for example, investments in thinly traded public companies);
- Pricing models whose inputs are observable for substantially the full term of the investment (for example, market interest rate indices); and
- Pricing models whose inputs are derived principally from, or corroborated by, observable market data through correlation or other means for substantially the full term of the investment.

Level 3—Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (for example, investments in illiquid securities issued by privately held 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).

As of December 31, 2020 and 2019, all of Main Street's LMM portfolio investments consisted of illiquid securities issued by privately held companies and the fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's LMM portfolio investments were categorized as Level 3 as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, Main Street's Middle Market portfolio investments consisted primarily of investments in secured and unsecured debt investments and independently rated debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Middle Market portfolio investments were categorized as Level 3 as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, Main Street's Private Loan portfolio investments primarily consisted of investments in interest-bearing secured debt investments. The fair value determination for these investments consisted of a combination of observable inputs in non-active markets for which sufficient observable inputs were not available to determine the fair value of these investments and unobservable inputs. As a result, all of Main Street's Private Loan portfolio investments were categorized as Level 3 as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, Main Street's Other Portfolio investments consisted of illiquid securities issued by privately held companies and the fair value determination for these investments primarily consisted of unobservable inputs. As a result, all of Main Street's Other Portfolio investments were categorized as Level 3 as of December 31, 2020 and 2019.

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 use of significant unobservable inputs creates uncertainty in the measurement of fair value as of the reporting date. The significant unobservable inputs used in the fair value measurement of Main Street's LMM equity securities, which are generally valued through an average of the discounted cash flow technique and the market comparable/enterprise value technique (unless one of these approaches is determined to not be appropriate), are (i) EBITDA multiples and (ii) the weighted-average cost of capital ("WACC"). Significant increases (decreases) in EBITDA multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. On the contrary, significant increases (decreases) in WACC inputs in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of Main Street's LMM, Middle Market and Private Loan securities are (i) risk adjusted discount rates used in the Yield-to-Maturity valuation technique (see "Note B.1.—Valuation of the Investment Portfolio") and (ii) the percentage of expected principal recovery. Significant increases (decreases) in any of these discount rates in isolation would result in a significantly lower

(higher) fair value measurement. Significant increases (decreases) in any of these expected principal recovery percentages in isolation would result in a significantly higher (lower) fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third-party appraisals of collateral and fair values as determined by independent third parties, which are not presented in the tables below.

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 portfolio investments as of December 31, 2020 and 2019:

Type of Investment	Fair Value as of December 31, 2020		Significant Unobservable Inputs	Range(3)	Weighted Average(3)	Median(3)
	(in thousands)	Valuation Technique				
Equity investments	\$ 877,732	Discounted cash flow	WACC	9.4% - 21.0%	14.3 %	15.0 %
		Market comparable / Enterprise Value	EBITDA multiple (1)	4.5x - 8.5x(2)	7.0x	6.1x
Debt investments	\$ 1,339,079	Discounted cash flow	Risk adjusted discount factor	7.4% - 15.3%(2)	10.6 %	10.8 %
		Market approach	Expected principal recovery percentage	0.0% - 100.0%	99.4 %	100.0 %
			Third-party quote	45 - 100.3	94.7	96.5
Debt investments	\$ 468,055					
Total Level 3 investments	\$ 2,684,866					

- (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 2.2x - 15.0x and the range for risk adjusted discount factor is 5.4% - 29.5%.
- (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, 2019		Significant Unobservable Inputs	Range(3)	Weighted Average(3)	Median(3)
	(in thousands)	Valuation Technique				
Equity investments	\$ 819,749	Discounted cash flow	WACC	9.6% - 20.3%	13.6 %	14.2 %
		Market comparable / Enterprise Value	EBITDA multiple (1)	4.9x - 8.5x(2)	7.2x	6.4x
Debt investments	\$ 1,212,741	Discounted cash flow	Risk adjusted discount factor	5.9% - 16.5%(2)	10.4 %	10.0 %
		Market approach	Expected principal recovery percentage	1.4% - 100.0%	99.3 %	100.0 %
			Third-party quote	28.1 - 101.0	94.7	98.0
Debt investments	\$ 569,834					
Total Level 3 investments	\$ 2,602,324					

- (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 - 15.0x and the range for risk adjusted discount factor is 4.6% - 38.0%.
- (3) Does not include investments for which the valuation technique does not include the use of the applicable fair value input.

The following tables provide a summary of changes in fair value of Main Street's Level 3 portfolio investments for the years ended December 31, 2020 and 2019 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2019	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of December 31, 2020
Debt	\$ 1,782,575	\$ —	\$ (544,545)	\$ 560,536	\$ 110,099	\$ (78,866)	\$ (22,665)	\$ 1,807,134
Equity	809,538	—	(51,251)	114,733	8,938	(38,404)	22,665	866,219
Equity Warrant	10,211	—	(2,245)	—	2,245	1,302	—	11,513
	<u>\$ 2,602,324</u>	<u>\$ —</u>	<u>\$ (598,041)</u>	<u>\$ 675,269</u>	<u>\$ 121,282</u>	<u>\$ (115,968)</u>	<u>\$ —</u>	<u>\$ 2,684,866</u>

(1) Includes the impact of non-cash conversions. These transactions represent non-cash investing activities. See additional cash flow information at the consolidated statements of cash flows.

Type of Investment	Fair Value as of December 31, 2018	Transfers Into Level 3 Hierarchy	Redemptions/ Repayments	New Investments	Net Changes from Unrealized to Realized	Net Unrealized Appreciation (Depreciation)	Other(1)	Fair Value as of December 31, 2019
Debt	\$ 1,686,753	\$ —	\$ (471,923)	\$ 595,285	\$ 35,204	\$ (43,969)	\$ (18,775)	\$ 1,782,575
Equity	755,710	—	(24,322)	46,046	(15,287)	26,809	20,582	809,538
Equity Warrant	11,446	—	1,217	316	(1,090)	129	(1,807)	10,211
	<u>\$ 2,453,909</u>	<u>\$ —</u>	<u>\$ (495,028)</u>	<u>\$ 641,647</u>	<u>\$ 18,827</u>	<u>\$ (17,031)</u>	<u>\$ —</u>	<u>\$ 2,602,324</u>

(1) Includes the impact of non-cash conversions. These transactions represent non-cash investing activities. See additional cash flow information at the consolidated statements of cash flows.

As of December 31, 2019, the fair value determination for the SBIC debentures recorded at fair value primarily consisted of unobservable inputs. As a result, the SBIC debentures which were recorded at fair value were categorized as Level 3. Main Street determined the fair value of these instruments primarily using a Yield-to-Maturity approach that analyzed 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 was the legal maturity date of the instrument. The significant unobservable inputs used in the fair value measurement of Main Street's SBIC debentures recorded at fair value were the estimated market interest rates used to fair value each debenture using the yield valuation technique described above. As of December 31, 2020, all of the SBIC debentures previously accounted for on a fair value basis have been repaid.

The following tables provide a summary of changes for the Level 3 SBIC debentures recorded at fair value for the years ended December 31, 2020 and 2019 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2019	Repayments	Net Realized Loss	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2020
SBIC debentures at fair value	<u>\$ 21,927</u>	<u>\$ (22,000)</u>	<u>\$ 533</u>	<u>\$ —</u>	<u>\$ (460)</u>	<u>\$ —</u>

Type of Investment	Fair Value as of December 31, 2018	Repayments	Net Realized Loss	New SBIC Debentures	Net Unrealized (Appreciation) Depreciation	Fair Value as of December 31, 2019
SBIC debentures at fair value	<u>\$ 44,688</u>	<u>\$ (24,000)</u>	<u>\$ 5,689</u>	<u>\$ —</u>	<u>\$ (4,450)</u>	<u>\$ 21,927</u>

The following tables provide a summary of the significant unobservable inputs used to fair value Main Street's Level 3 SBIC debentures as of December 31, 2019 (amounts in thousands):

Type of Investment	Fair Value as of December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
SBIC debentures	\$ 21,927	Discounted cash flow	Estimated market interest rates	3.2% - 3.5%	3.2 %

At December 31, 2020 and 2019, Main Street's investments and SBIC debentures at fair value were categorized as follows in the fair value hierarchy for ASC 820 purposes:

At December 31, 2020	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	\$ 1,285,524	\$ —	\$ —	\$ 1,285,524
Middle Market portfolio investments	445,609	—	—	445,609
Private Loan portfolio investments	740,370	—	—	740,370
Other Portfolio investments	96,603	—	—	96,603
External Investment Manager	116,760	—	—	116,760
Total investments	\$ 2,684,866	\$ —	\$ —	\$ 2,684,866

At December 31, 2019	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	\$ 1,206,865	\$ —	\$ —	\$ 1,206,865
Middle Market portfolio investments	522,083	—	—	522,083
Private Loan portfolio investments	692,117	—	—	692,117
Other Portfolio investments	106,739	—	—	106,739
External Investment Manager	74,520	—	—	74,520
Total investments	\$ 2,602,324	\$ —	\$ —	\$ 2,602,324
SBIC debentures at fair value	\$ 21,927	\$ —	\$ —	\$ 21,927

Investment Portfolio Composition

Main Street's LMM portfolio investments primarily consist of secured debt, equity warrants and direct equity investments in privately held, LMM companies based in the United States. Main Street's LMM portfolio companies generally have annual revenues between \$10 million and \$150 million, and its LMM investments generally range in size from \$5 million to \$50 million. The LMM debt investments are typically secured by either a first or second priority lien on the assets of the portfolio company, can include either fixed or floating rate terms 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 \$20 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 that 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 that are not consistent with the typical profiles for its LMM, Middle Market or 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 MSC Income Fund, Inc. (“MSC Income”), formerly known as HMS Income Fund, Inc. Through this agreement, Main Street shares employees with the External Investment Manager, including their related infrastructure, business relationships, management expertise and capital raising capabilities. Main Street allocates the related expenses to the External Investment Manager pursuant to the sharing agreement. Main Street’s total expenses for the year ended December 31, 2020, 2019, and 2018, are net of expenses allocated to the External Investment Manager of \$7.4 million, \$6.7 million, and \$6.8 million, respectively.

Investment income, consisting of interest, dividends and fees, can fluctuate dramatically due to various factors, including the level of new investment activity, repayments of debt investments or sales of equity interests. Investment income in any given year could also be highly concentrated among several portfolio companies. For the years ended December 31, 2020 and 2019, Main Street did not record investment income from any single portfolio company in excess of 10% of total investment income.

The following tables provide a summary of Main Street’s investments in the LMM, Middle Market and Private Loan portfolios as of December 31, 2020 and 2019 (this information excludes the Other Portfolio investments and the External Investment Manager which are discussed further below):

	As of December 31, 2020		
	LMM (a)	Middle Market (dollars in millions)	Private Loan
Number of portfolio companies	70	42	63
Fair value	\$ 1,285.5	\$ 445.6	\$ 740.4
Cost	\$ 1,104.6	\$ 488.9	\$ 769.0
Debt investments as a % of portfolio (at cost)	65.8 %	93.0 %	93.8 %
Equity investments as a % of portfolio (at cost)	34.2 %	7.0 %	6.2 %
% of debt investments at cost secured by first priority lien	98.1 %	92.4 %	95.4 %
Weighted-average annual effective yield (b)	11.6 %	7.9 %	8.7 %
Average EBITDA (c)	\$ 5.3	\$ 76.5	\$ 58.1

- (a) At December 31, 2020, 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 38%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2020, 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. The 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 three LMM portfolio companies, one Middle Market portfolio company and four Private Loan portfolio companies, as EBITDA is not a meaningful valuation metric for Main Street's investments in these portfolio companies, and those portfolio companies whose primary purpose is to own real estate.

	As of December 31, 2019		
	LMM (a)	Middle Market (dollars in millions)	Private Loan
Number of portfolio companies	69	51	65
Fair value	\$ 1,206.9	\$ 522.1	\$ 692.1
Cost	\$ 1,002.2	\$ 572.3	\$ 734.8
Debt investments as a % of portfolio (at cost)	65.9 %	94.8 %	94.6 %
Equity investments as a % of portfolio (at cost)	34.1 %	5.2 %	5.4 %
% of debt investments at cost secured by first priority lien	98.1 %	91.3 %	95.4 %
Weighted-average annual effective yield (b)	11.8 %	8.6 %	9.5 %
Average EBITDA (c)	\$ 5.1	\$ 85.0	\$ 57.8

- (a) At December 31, 2019, 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 42%.
- (b) The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2019, 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. The 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 three LMM portfolio companies, two 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, and those portfolio companies whose primary purpose is to own real estate.

As of December 31, 2020, Main Street had Other Portfolio investments in twelve companies, collectively totaling approximately \$96.6 million in fair value and approximately \$124.7 million in cost basis and which comprised approximately 3.6% of Main Street's Investment Portfolio at fair value. As of December 31, 2019, Main Street had Other Portfolio investments in eleven companies, collectively totaling approximately \$106.7 million in fair value and approximately \$118.4 million in cost basis and which comprised approximately 4.1% of Main Street's Investment Portfolio at fair value.

As discussed further in Note A.1., Main Street holds an investment in the External Investment Manager, a wholly owned subsidiary that is treated as a portfolio investment. As of December 31, 2020, there was a \$29.5 million cost basis in this investment and the investment had a fair value of approximately \$116.8 million, which comprised approximately 4.3% of Main Street's Investment Portfolio at fair value. As of December 31, 2019, there was no cost basis in this investment and the investment had a fair value of approximately \$74.5 million, which comprised approximately 2.9% of Main Street's Investment Portfolio at fair value.

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

as a percentage of the total combined LMM portfolio investments, Middle Market portfolio investments and Private Loan portfolio investments, as of December 31, 2020 and 2019 (this information excludes the Other Portfolio investments and the External Investment Manager).

Cost:	December 31, 2020	December 31, 2019
First lien debt	77.0 %	78.2 %
Equity	19.0 %	17.2 %
Second lien debt	2.7 %	3.5 %
Equity warrants	0.5 %	0.6 %
Other	0.8 %	0.5 %
	<u>100.0 %</u>	<u>100.0 %</u>
Fair Value:	December 31, 2020	December 31, 2019
First lien debt	70.0 %	70.1 %
Equity	26.4 %	26.0 %
Second lien debt	2.4 %	3.0 %
Equity warrants	0.4 %	0.4 %
Other	0.8 %	0.5 %
	<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 December 31, 2020 and 2019 (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.

Cost:	December 31, 2020	December 31, 2019
Southwest	24.3 %	25.0 %
Northeast	22.6 %	14.8 %
West	21.0 %	24.6 %
Midwest	18.2 %	20.6 %
Southeast	12.8 %	13.2 %
Canada	1.1 %	1.2 %
Other Non-United States	0.0 %	0.6 %
	<u>100.0 %</u>	<u>100.0 %</u>
Fair Value:	December 31, 2020	December 31, 2019
Southwest	24.7 %	26.7 %
Northeast	21.7 %	14.4 %
West	21.4 %	25.1 %
Midwest	19.7 %	20.6 %
Southeast	11.5 %	11.6 %
Canada	1.0 %	1.1 %
Other Non-United States	0.0 %	0.5 %
	<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 as of December 31, 2020 and 2019 (this information excludes the Other Portfolio investments and the External Investment Manager).

Cost:	December 31, 2020	December 31, 2019
Machinery	6.4 %	7.7 %
Construction & Engineering	6.0 %	5.4 %
Aerospace & Defense	5.9 %	4.9 %
Internet Software & Services	5.2 %	4.1 %
Health Care Providers & Services	5.1 %	4.5 %
Professional Services	5.1 %	2.9 %
Commercial Services & Supplies	4.7 %	6.1 %
Energy Equipment & Services	4.5 %	5.4 %
Software	4.4 %	2.4 %
Leisure Equipment & Products	4.2 %	3.8 %
IT Services	4.0 %	4.6 %
Communications Equipment	3.3 %	3.1 %
Oil, Gas & Consumable Fuels	3.2 %	3.6 %
Specialty Retail	3.1 %	3.1 %
Hotels, Restaurants & Leisure	2.6 %	3.7 %
Diversified Telecommunication Services	2.6 %	3.9 %
Food Products	2.6 %	3.0 %
Tobacco	2.2 %	— %
Media	2.1 %	5.3 %
Distributors	2.1 %	1.1 %
Diversified Financial Services	2.1 %	1.9 %
Electronic Equipment, Instruments & Components	1.9 %	3.5 %
Containers & Packaging	1.6 %	1.7 %
Computers & Peripherals	1.5 %	2.3 %
Building Products	1.4 %	1.3 %
Life Sciences Tools & Services	1.4 %	— %
Household Durables	1.3 %	0.2 %
Trading Companies & Distributors	1.2 %	— %
Diversified Consumer Services	1.0 %	0.4 %
Transportation Infrastructure	1.0 %	1.0 %
Food & Staples Retailing	1.0 %	1.0 %
Chemicals	0.9 %	1.0 %
Construction Materials	0.5 %	1.0 %
Road & Rail	0.4 %	1.4 %
Other (1)	3.5 %	4.7 %
	<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.

Fair Value:	December 31, 2020	December 31, 2019
Machinery	8.1 %	9.9 %
Construction & Engineering	6.1 %	5.6 %
Aerospace & Defense	5.7 %	4.7 %
Health Care Providers & Services	5.2 %	4.3 %
Software	4.6 %	2.7 %
Commercial Services & Supplies	4.5 %	5.5 %
Internet Software & Services	4.5 %	3.8 %
Leisure Equipment & Products	4.0 %	3.5 %
Professional Services	4.0 %	2.2 %
IT Services	3.8 %	4.8 %
Specialty Retail	3.4 %	3.4 %
Energy Equipment & Services	3.0 %	4.9 %
Diversified Consumer Services	3.0 %	2.2 %
Computers & Peripherals	2.9 %	3.8 %
Communications Equipment	2.7 %	2.7 %
Oil, Gas & Consumable Fuels	2.7 %	3.2 %
Media	2.5 %	4.7 %
Diversified Financial Services	2.3 %	2.1 %
Food Products	2.2 %	2.7 %
Distributors	2.1 %	1.0 %
Tobacco	2.1 %	— %
Diversified Telecommunication Services	2.0 %	3.3 %
Hotels, Restaurants & Leisure	2.0 %	3.3 %
Containers & Packaging	1.7 %	1.7 %
Building Products	1.4 %	1.2 %
Life Sciences Tools & Services	1.4 %	— %
Construction Materials	1.4 %	1.5 %
Electronic Equipment, Instruments & Components	1.3 %	2.7 %
Household Durables	1.3 %	0.1 %
Trading Companies & Distributors	1.2 %	— %
Transportation Infrastructure	1.0 %	1.0 %
Food & Staples Retailing	0.9 %	1.0 %
Road & Rail	0.6 %	1.5 %
Other (1)	4.4 %	5.0 %
	100.0 %	100.0 %

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

At December 31, 2020 and 2019, 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.” On May 20, 2020, the SEC published in Release No. 33-10786, *Amendments to Financial Disclosures about Acquired and Disposed Businesses*, amendments to Rule 1-02(w)(2) of Regulation S-X used in the determination of a significant subsidiary specific to investment companies, including BDCs. The amendments become effective on January 1, 2021, but the SEC allowed for early application. Main Street elected to apply these revisions effective June 30, 2020. In evaluating its unconsolidated controlled portfolio companies in accordance with the revised rules, there are two tests that Main Street must utilize to determine if any of Main Street’s Control Investments (as defined in Note A, including those

unconsolidated portfolio companies defined as Control Investments in which Main Street does not own greater than 50% of the voting securities or maintain greater than 50% of the board representation) are considered significant subsidiaries: the investment test and the income test. The investment test is generally measured by dividing Main Street's investment in the Control Investment by the value of Main Street's total investments. The income test is generally measured by dividing the absolute value of the combined sum of total investment income, net realized gain (loss) and net unrealized appreciation (depreciation) from the relevant Control Investment for the period being tested by the absolute value of Main Street's change in net assets resulting from operations for the same period. Rules 3-09 and 4-08(g) of Regulation S-X, as interpreted by the SEC, require Main Street to include (1) 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 and (2) summarized financial information of a Control Investment in a quarterly report, respectively, if certain thresholds of the investment or income tests are exceeded and the unconsolidated portfolio company qualifies as a significant subsidiary.

As of December 31, 2020, 2019 and 2018, Main Street had no single investment that qualified as a significant subsidiary under either the investment or income tests.

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 was the investment advisor to MSC Income at the time, 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 was entitled to 50% of the annual base management fee and the incentive fees earned by HMS Adviser under its advisory agreement with MSC Income. Effective October 30, 2020, the External Investment Manager and HMS Adviser consummated the transactions contemplated by that certain asset purchase agreement by and among the External Investment Manager, HMS Adviser and the other parties thereto whereby the External Investment Manager became the sole investment adviser and administrator to MSC Income pursuant to an Investment Advisory and Administrative Services Agreement entered into between the External Investment Manager and MSC Income (the "Advisory Agreement"). The Advisory Agreement includes a 1.75% annual management fee, reduced from 2.00%, and the same incentive fee as under MSC Income's prior advisory agreement with HMS Adviser, with the External Investment Manager receiving 100% of such fee income (increased from 50% previously).

The External Investment Manager agreed to waive the historical incentive fees otherwise earned through December 31, 2018. During the year ended December 31, 2020, the External Investment Manager earned \$10.7 million in base management fee income and no incentive fees compared to \$11.1 million of base management fees and \$2.0 million in incentive fees in 2019 and \$11.6 million of base management fees in 2018 for the investment advisory services provided to MSC Income.

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 statements of operations in "Net Unrealized Appreciation (Depreciation)—Control investments."

The External Investment Manager is an indirect wholly owned subsidiary of MSCC owned through a Taxable Subsidiary and is a disregarded entity for tax purposes. The External Investment Manager has entered into a tax sharing agreement with its Taxable Subsidiary owner. Since the External Investment Manager 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, and as a result of the tax sharing agreement with its Taxable Subsidiary owner, for financial reporting purposes the External Investment Manager is treated as if it 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. Main Street owns the External Investment Manager through the Taxable Subsidiary to allow MSCC to continue to comply with the “source-of-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. As a result of the above described financial reporting and tax treatment, the External Investment Manager provides for any income tax expense, or benefit, and any tax assets or liabilities in its separate financial statements.

Main Street shares employees with the External Investment Manager and allocates costs related to such shared employees to the External Investment Manager generally based on a combination of the direct time spent, new investment origination activity and assets under management, depending on the nature of the expense. For the years ended December 31, 2020, 2019 and 2018, Main Street allocated \$7.4 million, \$6.7 million and \$6.8 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 the dividend income earned from the External Investment Manager. For the years ended December 31, 2020, 2019 and 2018, the total contribution to Main Street’s net investment income was \$9.9 million, \$11.7 million and \$10.6 million, respectively.

Summarized financial information from the separate financial statements of the External Investment Manager as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 is as follows:

	As of December 31, 2020	As of December 31, 2019
	(dollars in thousands)	
Cash	\$ —	\$ —
Accounts receivable—MSC Income Fund	3,520	2,708
Total assets	\$ 3,520	\$ 2,708
Accounts payable to MSCC and its subsidiaries	\$ 2,423	\$ 1,592
Dividend payable to MSCC and its subsidiaries	1,097	1,116
Equity	—	—
Total liabilities and equity	\$ 3,520	\$ 2,708

	Twelve Months Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
Management fee income	\$ 10,665	\$ 11,116	\$ 11,592
Incentive fees	—	1,972	—
Total revenues	10,665	13,088	11,592
Expenses allocated from MSCC or its subsidiaries:			
Salaries, share-based compensation and other personnel costs	(4,984)	(4,388)	(4,324)
Other G&A expenses	(2,445)	(2,284)	(2,444)
Total allocated expenses	(7,429)	(6,672)	(6,768)
Pre-tax income	3,236	6,416	4,824
Tax expense	(745)	(1,427)	(1,002)
Net income	\$ 2,491	\$ 4,989	\$ 3,822

NOTE E—DEBT

Summary of debt as of December 31, 2020 is as follows:

	<u>Outstanding Balance</u>	<u>Unamortized Debt Issuance Costs/Premiums</u>	<u>Recorded Value</u>	<u>Estimated Fair Value (1)</u>
	(in thousands)			
SBIC Debentures	\$ 309,800	\$ (5,828)	\$ 303,972	\$ 309,907
Credit Facility	269,000	-	269,000	269,000
4.50% Notes due 2022	185,000	(1,164)	183,836	194,938
5.20% Notes due 2024	450,000	1,817	451,817	488,102
Total Debt	\$ 1,213,800	\$ (5,175)	\$ 1,208,625	\$ 1,261,947

Summary of debt as of December 31, 2019 is as follows:

	<u>Outstanding Balance</u>	<u>Unamortized Debt Issuance Costs/Premiums and Fair Value Adjustments</u>	<u>Recorded Value</u>	<u>Estimated Fair Value (1)</u>
	(in thousands)			
SBIC Debentures	\$ 311,800	\$ (5,612)	\$ 306,188	\$ 310,210
Credit Facility	300,000	-	300,000	300,000
4.50% Notes due 2022	185,000	(1,771)	183,229	194,812
5.20% Notes due 2024	325,000	(405)	324,595	350,929
Total Debt	\$ 1,121,800	\$ (7,788)	\$ 1,114,012	\$ 1,155,951

(1) Estimated fair value for outstanding debt if Main Street had adopted the fair value option under ASC 825.

Summarized interest expense for the twelve months ended December 31, 2020, 2019 and 2018 is as follows (in thousands):

	Twelve Months Ended December 31,		
	2020	2019	2018
SBIC Debentures	\$ 11,867	\$ 12,739	\$ 12,754
Credit Facility	9,232	10,974	11,723
6.125% Notes	-	-	1,464
4.50% Notes Due 2019	-	7,881	8,597
4.50% Notes Due 2022	8,932	8,932	8,955
5.20% Notes Due 2024	19,556	9,732	-
Total Interest Expense	\$ 49,587	\$ 50,258	\$ 43,493

SBIC Debentures

Under existing SBIC regulations, SBA-approved SBICs under common control have the ability to issue debentures guaranteed by the SBA up to a regulatory maximum amount of \$350.0 million. Main Street's SBIC debentures payable, under existing SBA-approved commitments, were \$309.8 million and \$311.8 million at December 31, 2020 and 2019, respectively. SBIC debentures provide for interest to be paid semiannually, with principal due at the applicable 10-year maturity date of each debenture. During the year ended December 31, 2020, Main Street issued \$40.0 million of SBIC debentures and prepaid the remaining \$42.0 million of existing MSC II SBIC debentures. As a result of this prepayment, Main Street recognized a realized loss of \$0.5 million, due primarily to the write-off of the related unamortized deferred financing costs. Main Street expects to issue new SBIC debentures under the SBIC

program in the future in an amount up to the regulatory maximum amount for affiliated SBIC funds. The weighted-average annual interest rate on the SBIC debentures was 3.4% and 3.6% as of December 31, 2020 and 2019, respectively. The first principal maturity due under the existing SBIC debentures is in 2021, and the weighted-average remaining duration as of December 31, 2020 was approximately 5.4 years. In accordance with SBIC regulations, the Funds are precluded from incurring additional non-SBIC debt without the prior approval of the SBA.

As of December 31, 2020, the recorded value of the SBIC debentures was \$304.0 million, which consisted of (i) \$134.8 million par value of SBIC debentures outstanding issued by MSMF, with a recorded value of \$133.3 million that was net of unamortized debt issuance costs of \$1.5 million and (ii) \$175.0 million par value of SBIC debentures issued by MSC III with a recorded value of \$170.7 million that was net of unamortized debt issuance costs of \$4.3 million.

The maturity dates and fixed interest rates for Main Street's SBIC Debentures as of December 31, 2020 and 2019 are summarized in the following table:

Maturity Date	Fixed Interest		December 31,	
	Rate		2020	2019
9/1/2020	3.50 %		\$ -	\$ 35,000,000
9/1/2020	3.93 %		-	2,000,000
3/1/2021	4.37 %		10,000,000	10,000,000
3/1/2021	4.60 %		20,000,000	20,000,000
9/1/2021	3.39 %		10,000,000	10,000,000
9/1/2022	2.53 %		-	5,000,000
3/1/2023	3.16 %		16,000,000	16,000,000
3/1/2024	3.95 %		39,000,000	39,000,000
3/1/2024	3.55 %		24,800,000	24,800,000
3/1/2027	3.52 %		40,400,000	40,400,000
9/1/2027	3.19 %		34,600,000	34,600,000
3/1/2028	3.41 %		43,000,000	43,000,000
9/1/2028	3.55 %		32,000,000	32,000,000
3/1/2030	2.35 %		15,000,000	-
9/1/2030	1.13 %		10,000,000	-
9/1/2030	1.31 %		10,000,000	-
3/1/2031	0.81 %	(1)	5,000,000	-
Ending Balance			\$ 309,800,000	\$ 311,800,000

(1) The interest rate for this tranche of SBIC debentures represents an initial rate that has not been fixed by the SBA as of December 31, 2020. In March 2021, the rate for this tranche of SBIC debentures will be determined and, thereafter, the rate will be fixed for the ensuing 10 years.

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 \$780.0 million from a diversified group of 19 lenders. The Credit Facility matures in September 2023 and contains an accordion feature which allows Main Street to increase the total commitments under the facility to up to \$800.0 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 and resetting on a monthly basis on the first of each month, on a per annum basis at a rate equal to the applicable LIBOR rate (0.2% as of the most recent reset date for the period ended December 31, 2020) plus (i) 1.875% (or the applicable base rate (Prime Rate of 3.25% as of December 31, 2020) plus 0.875%) as long as Main Street meets certain agreed upon excess collateral and maximum leverage requirements or (ii) 2.0% (or the applicable base rate plus 1.0%) otherwise. 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 (tangible net worth to Credit Facility borrowings) 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 2023, and contains two, one-year extension options which could extend the final maturity by up to two years, subject to certain conditions, including lender approval.

As of December 31, 2020, the interest rate on the Credit Facility was 2.0%. The average interest rate for borrowings under the Credit Facility was 2.5% and 4.1% for the year ended December 31, 2020 and 2019, respectively. As of December 31, 2020, Main Street was in compliance with all financial covenants of the Credit Facility.

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 bore interest at a rate of 6.125% per year payable quarterly on January 1, April 1, July 1 and October 1 of each year. On April 2, 2018, Main Street redeemed the entire principal amount of the issued and outstanding 6.125% Notes, effective April 1, 2018 (the "Redemption Date"), at par value plus the accrued and unpaid interest thereon from January 1, 2018 through, but excluding, the Redemption Date. As part of the redemption, Main Street recognized a realized loss on extinguishment of debt of \$1.5 million in the second quarter of 2018 related to the write-off of the related unamortized deferred financing costs.

4.50% Notes due 2019

In November 2014, Main Street issued \$175.0 million in aggregate principal amount of 4.50% unsecured notes due 2019 (the "4.50% Notes due 2019") at an issue price of 99.53%. The 4.50% Notes due 2019 bore interest at a rate of 4.50% per year payable semiannually on June 1 and December 1 of each year. On December 2, 2019, Main Street repaid the entire principal amount of the issued and outstanding 4.50% Notes due 2019, effective December 1, 2019 (the "Maturity Date"), at par value plus the accrued and unpaid interest thereon from June 1, 2019 through the Maturity Date.

4.50% Notes due 2022

In November 2017, Main Street issued \$185.0 million in aggregate principal amount of 4.50% unsecured notes due December 1, 2022 (the "4.50% Notes") at an issue price of 99.16%. The 4.50% Notes are unsecured obligations and rank pari passu with Main Street's current and future unsecured indebtedness; senior to any of its future indebtedness that expressly provides it is subordinated to the 4.50% Notes; effectively subordinated to all of its existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including borrowings under its Credit Facility; and structurally subordinated to all existing and future indebtedness and other obligations of any of its subsidiaries, including without limitation, the indebtedness of the Funds. The 4.50% Notes may be redeemed in whole or in part at any time at Main Street's option subject to certain make-whole provisions. The 4.50% Notes bear interest at a rate of 4.50% per year payable semiannually on June 1 and December 1 of each year. The total net proceeds from the 4.50% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable, were approximately \$182.2 million. Main Street may from time to time repurchase the 4.50% Notes in accordance with the 1940 Act and the rules promulgated thereunder.

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 Exchange Act. These covenants are subject to limitations and

exceptions that are described in the 4.50% Notes Indenture. As of December 31, 2020, Main Street was in compliance with these covenants.

5.20% Notes

In April 2019, Main Street issued \$250.0 million in aggregate principal amount of 5.20% unsecured notes due May 1, 2024 (the “5.20% Notes”) at an issue price of 99.125%. In December 2019, Main Street issued an additional \$75.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 105.0% and, in July 2020, Main Street issued an additional \$125.0 million in aggregate principal amount of the 5.20% Notes at an issue price of 102.674%. The 5.20% Notes issued in December 2019 and July 2020 have identical terms as, and are a part of a single series with, the 5.20% Notes issued in April 2019. The 5.20% 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 5.20% 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 5.20% Notes may be redeemed in whole or in part at any time at Main Street’s option subject to certain make-whole provisions. The 5.20% Notes bear interest at a rate of 5.20% per year payable semiannually on May 1 and November 1 of each year. The total net proceeds from the 5.20% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable, were approximately \$451.4 million. Main Street may from time to time repurchase the 5.20% Notes in accordance with the 1940 Act and the rules promulgated thereunder.

The indenture governing the 5.20% Notes (the “5.20% 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 5.20% Notes and the Trustee if Main Street ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 5.20% Notes Indenture. As of December 31, 2020, Main Street was in compliance with these covenants.

Contractual Payment Obligations

A summary of Main Street’s contractual payment obligations for the repayment of outstanding indebtedness at December 31, 2020 is as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
SBIC debentures	\$ 40,000	\$ —	\$ 16,000	\$ 63,800	\$ —	\$ 190,000	\$ 309,800
4.50% Notes due 2022	—	185,000	—	—	—	—	185,000
5.20% Notes due 2024	—	—	—	450,000	—	—	450,000
Credit Facility	—	—	269,000	—	—	—	269,000
Total	\$ 40,000	\$ 185,000	\$ 285,000	\$ 513,800	\$ —	\$ 190,000	\$ 1,213,800

Senior Securities

Information about Main Street’s senior securities is shown in the following table as of December 31 for the years indicated in the table, unless otherwise noted.

<u>Class and Year</u>	<u>Total Amount Outstanding Exclusive of Treasury Securities(1)</u> (dollars in thousands)	<u>Asset Coverage per Unit(2)</u>	<u>Involuntary Liquidating Preference per Unit(3)</u>	<u>Average Market Value per Unit(4)</u>
SBIC Debentures				
2011	\$ 220,000	2,202	—	N/A
2012	225,000	2,763	—	N/A
2013	200,200	2,476	—	N/A
2014	225,000	2,323	—	N/A
2015	225,000	2,368	—	N/A
2016	240,000	2,415	—	N/A
2017	295,800	2,687	—	N/A
2018	345,800	2,455	—	N/A
2019	311,800	2,363	—	N/A
2020	309,800	2,244	—	N/A
Credit Facility				
2011	\$ 107,000	2,202	—	N/A
2012	132,000	2,763	—	N/A
2013	237,000	2,476	—	N/A
2014	218,000	2,323	—	N/A
2015	291,000	2,368	—	N/A
2016	343,000	2,415	—	N/A
2017	64,000	2,687	—	N/A
2018	301,000	2,455	—	N/A
2019	300,000	2,363	—	N/A
2020	269,000	2,244	—	N/A
6.125% Notes				
2014	\$ 90,823	2,323	—	\$ 24.78
2015	90,738	2,368	—	25.40
2016	90,655	2,415	—	25.76
2017	90,655	2,687	—	25.93
4.50% Notes Due 2019				
2015	\$ 175,000	2,368	—	N/A
2016	175,000	2,415	—	N/A
2017	175,000	2,687	—	N/A
2018	175,000	2,455	—	N/A
4.50% Notes Due 2022				
2017	\$ 185,000	2,687	—	N/A
2018	185,000	2,455	—	N/A
2019	185,000	2,363	—	N/A
2020	185,000	2,244	—	N/A
5.20% Notes Due 2024				
2019	\$ 325,000	2,363	—	N/A
2020	450,000	2,244	—	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

- (2) Asset coverage per unit is the ratio of the carrying value of Main Street’s total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The “—” indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.
- (4) Average market value per unit for the 6.125% Notes represents the average of the daily closing prices as reported on the NYSE during the period presented. Average market value per unit for the SBIC debentures, Credit Facility, 4.50% Notes due 2019, 4.50% Notes and 5.20% Notes are not applicable because these are not registered for public trading.

NOTE F—FINANCIAL HIGHLIGHTS

Per Share Data:	Twelve Months Ended December 31,				
	2020	2019	2018	2017	2016
NAV at the beginning of the period	\$ 23.91	\$ 24.09	\$ 23.53	\$ 22.10	\$ 21.24
Net investment income(1)	2.10	2.50	2.60	2.39	2.23
Net realized loss(1)(2)	(1.77)	(0.33)	(0.03)	0.19	0.56
Net unrealized appreciation (depreciation)(1)(2)	(0.09)	(0.09)	0.32	0.86	(0.14)
Income tax benefit (provision)(1)(2)	0.21	(0.02)	(0.09)	(0.43)	0.02
Net increase (decrease) in net assets resulting from operations(1)	0.45	2.06	2.80	3.01	2.67
Dividends paid	(2.46)	(2.91)	(2.85)	(2.79)	(2.73)
Impact of the net change in monthly dividends declared prior to the end of the period and paid in the subsequent period	—	(0.01)	(0.01)	(0.01)	(0.01)
Accretive effect of stock offerings (issuing shares above NAV per share)	0.41	0.55	0.47	1.07	0.76
Accretive effect of DRIP issuance (issuing shares above NAV per share)	0.08	0.12	0.09	0.06	0.08
Other(3)	(0.04)	0.01	0.06	0.09	0.09
NAV at the end of the period	\$ 22.35	\$ 23.91	\$ 24.09	\$ 23.53	\$ 22.10
Market value at the end of the period	\$ 32.26	\$ 43.11	\$ 33.81	\$ 39.73	\$ 36.77
	67,762,032	64,252,937	61,264,861	58,660,680	54,354,857
Shares outstanding at the end of the period					

- (1) Based on weighted-average number of common shares outstanding for the period.
- (2) Net realized gains or losses, net 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.

	Twelve Months Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
NAV at end of period	\$ 1,514,767	\$ 1,536,390	\$ 1,476,049	\$ 1,380,368	\$ 1,201,481
Average NAV	\$ 1,436,291	\$ 1,517,615	\$ 1,441,163	\$ 1,287,639	\$ 1,118,567
Average outstanding debt	\$ 1,152,108	\$ 1,055,800	\$ 947,694	\$ 843,993	\$ 801,048
Ratio of total expenses, including income tax expense, to average NAV (1)	4.95 %	5.75 %	5.75 %	7.37 %	5.48 %
Ratio of operating expenses to average NAV (2)	5.89 %	5.67 %	5.32 %	5.47 %	5.59 %
Ratio of operating expenses, excluding interest expense, to average NAV (2)	2.44 %	2.36 %	2.30 %	2.63 %	2.58 %
Ratio of net investment income to average NAV	9.60 %	10.37 %	10.87 %	10.51 %	10.35 %
Portfolio turnover ratio	18.00 %	18.86 %	29.13 %	38.18 %	24.63 %
Total investment return (3)	(19.11)%	36.86 %	(8.25)%	16.02 %	37.36 %
Total return based on change in NAV (4)	1.91 %	8.78 %	12.19 %	14.20 %	12.97 %

- (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) Unless otherwise noted, operating expenses include interest, compensation, general and administrative and share-based compensation expenses, net of expenses allocated to the External Investment Manager.
- (3) Total investment return is based on the 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.
- (4) Total return is 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. Non-operating changes include any items that affect net asset value other than the net increase in net assets resulting from operations, such as the effects of stock offerings, shares issued under the DRIP and equity incentive plans and other miscellaneous items.

NOTE G—DIVIDENDS, DISTRIBUTIONS AND TAXABLE INCOME

Main Street currently pays monthly dividends to its stockholders. Its monthly dividends, if any, will be determined by its Board of Directors on a quarterly basis. During 2020, Main Street paid monthly dividends of \$0.205 per share for each month of January through December 2020. The 2020 monthly dividends, which total \$161.1 million, or \$2.460 per share, represent a 1.9% increase from the monthly dividends paid per share for the year ended 2019. During 2019, Main Street also paid supplemental dividends of \$0.250 per share in June 2019 and \$0.240 per share in December 2019.

For tax purposes, the 2020 dividends, which included the effects of dividends on an accrual basis, total \$2.255 per share and were comprised of (i) ordinary income totaling approximately \$2.061 per share, and (ii) qualified dividend income totaling approximately \$0.194 per share. As of December 31, 2020, Main Street estimates that it has generated undistributed taxable income of approximately \$38.2 million, or \$0.56 per share, that will be carried forward toward distributions to be paid in 2021.

MSCC has elected to be treated for U.S. federal income tax purposes as a RIC. MSCC's taxable income includes the taxable income generated by MSCC and certain of its subsidiaries, including the Funds, which are treated as disregarded entities for tax purposes. As a RIC, MSCC generally will not pay corporate-level U.S. federal income taxes on any net ordinary taxable income or capital gains that MSCC distributes to its stockholders. MSCC must generally

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

The determination of the tax attributes for Main Street’s distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. Ordinary dividend distributions from a RIC do not qualify for the 20% maximum tax rate (plus a 3.8% Medicare surtax, if applicable) on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for distributions will generally include both ordinary income and qualified dividends, but may also include either one or both of capital gains and return of capital. The tax character of distributions paid for the years ended December 31, 2020, 2019 and 2018 was as follows:

	Twelve Months Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
Ordinary income(1)	\$ 135,128	\$ 166,280	\$ 136,934
Qualified dividends	12,398	15,451	12,277
Distributions of long term capital gains	—	1,858	22,513
Distributions on tax basis	\$ 147,526	\$ 183,589	\$ 171,724

(1) The years ended December 31, 2020, 2019 and 2018 include \$1.5 million, \$1.6 million and \$1.4 million, respectively, that was reported for tax purposes as compensation for services in accordance with Section 83 of the Code.

Listed below is a reconciliation of “Net increase (decrease) in net assets resulting from operations” to taxable income and to total distributions declared to common stockholders for the years ended December 31, 2020, 2019 and 2018.

	Year ended December 31,		
	2020	2019	2018
	(estimated, dollars in thousands)		
Net increase (decrease) in net assets resulting from operations	\$ 29,383	\$ 129,569	\$ 168,213
Book-tax difference from share-based compensation expense	5,139	(354)	(1,430)
Net unrealized (appreciation) depreciation	5,622	5,754	(19,275)
Income tax provision (benefit)	(13,541)	1,242	6,152
Pre-tax book (income) loss not consolidated for tax purposes	37,420	(30,690)	(454)
Book income and tax income differences, including debt origination, structuring fees, dividends, realized gains and changes in estimates	93,025	65,686	17,649
Estimated taxable income(1)	157,048	171,207	170,855
Taxable income earned in prior year and carried forward for distribution in current year	29,107	41,489	42,357
Taxable income earned prior to period end and carried forward for distribution next period	(38,248)	(42,281)	(53,436)
Dividend payable as of period end and paid in the following period	13,889	13,174	11,948
Total distributions accrued or paid to common stockholders	\$ 161,796	\$ 183,589	\$ 171,724

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

The Taxable Subsidiaries primarily hold certain portfolio investments for Main Street. The Taxable Subsidiaries permit Main Street to hold equity investments in portfolio companies which are “pass-through” entities for tax purposes and to continue to comply with the “source-of-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 their book income, or loss, due to temporary book and tax timing differences and permanent differences. The Taxable Subsidiaries are each taxed at their normal corporate tax rates based on their taxable income. The income tax expense, or benefit, if any, and the related tax assets and liabilities, of the Taxable Subsidiaries are reflected in Main Street’s consolidated financial statements.

The income tax expense (benefit) for Main Street is generally composed of (i) deferred tax expense (benefit), which is primarily the result of the net activity relating to the portfolio investments held in the Taxable Subsidiaries, including changes in loss carryforwards, changes in net unrealized appreciation or depreciation and other temporary book tax differences, and (ii) current tax expense, which is primarily the result of current U.S. federal income and state taxes and excise taxes on Main Street’s estimated undistributed taxable income. The income tax expense, or benefit, and the related tax assets and liabilities generated by the Taxable Subsidiaries, if any, are reflected in Main Street’s consolidated statement of operations. Main Street’s provision for income taxes was comprised of the following for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands):

	Twelve Months Ended		
	December 31,		
	2020	2019	2018
Current tax expense (benefit):			
Federal	\$ 497	\$ 1,019	\$ (2,398)
State	(1,554)	1,408	1,688
Excise	1,647	1,119	1,029
Total current tax expense (benefit)	590	3,546	319
Deferred tax expense (benefit):			
Federal	(13,082)	(1,267)	3,763
State	(1,049)	(1,037)	2,070
Total deferred tax expense (benefit)	(14,131)	(2,304)	5,833
Total income tax provision (benefit)	<u>\$ (13,541)</u>	<u>\$ 1,242</u>	<u>\$ 6,152</u>

MSCC operates in a manner to maintain its RIC status and to eliminate corporate-level U.S. federal income tax (other than the 4% excise tax) by distributing sufficient investment company taxable income and long-term capital gains. As a result, MSCC will have an effective tax rate equal to 0% before the excise tax and income taxes incurred by the Taxable Subsidiaries. As such, a reconciliation of the differences between Main Street’s reported income tax expense and its tax expense at the federal statutory rate of 21% is not meaningful.

As of December 31, 2020, the cost of investments for U.S. federal income tax purposes was \$2,352.9 million, with such investments having a gross unrealized appreciation of \$544.8 million and gross unrealized depreciation of \$212.8 million.

Management believes that the realization of the deferred tax assets is more likely than not based on expectations as to future taxable income and scheduled reversals of temporary differences. Accordingly, Main Street did not record a valuation allowance related to its deferred tax assets at December 31, 2020 and 2019. The following table sets forth the

significant components of net deferred tax assets and liabilities as of December 31, 2020 and 2019 (amounts in thousands):

	Years Ended December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 41,691	\$ 32,778
Interest Expense Carryforwards	9,779	10,079
Capital loss carryforwards	929	—
Other	2,315	2,041
Total deferred tax assets	54,714	44,898
Deferred tax liabilities:		
Net unrealized appreciation of portfolio investments	(28,351)	(31,851)
Net basis differences in portfolio investments	(28,955)	(29,196)
Total deferred tax liabilities	(57,306)	(61,047)
Total deferred tax asset (liabilities), net	\$ (2,592)	\$ (16,149)

The net deferred tax liability at December 31, 2020 was \$2.6 million compared to \$16.1 million at December 31, 2019, primarily related to changes in net unrealized appreciation or depreciation, changes in loss carryforwards, and other temporary book-tax differences relating to portfolio investments held by the Taxable Subsidiaries. At December 31, 2020, for U.S. federal income tax purposes, the Taxable Subsidiaries had a net operating loss carryforward from prior years which, if unused, will expire in various taxable years from 2028 through 2037. Any net operating losses generated in 2019 and future periods are not subject to expiration and will carryforward indefinitely until utilized. The timing and manner in which Main Street will utilize any loss carryforwards generated before December 31, 2019 may be limited in the future under the provisions of the Code. At December 31, 2020, for U.S. federal income tax purposes, the Taxable Subsidiaries had a net capital loss carryforward totaling approximately \$4.2 million which, if unused, will expire in five years. Additionally, the Taxable Subsidiaries have interest expense limitation carryforwards which have an indefinite carryforward. In addition, for the year ended December 31, 2020, for U.S. federal income tax purposes at the RIC level, MSCC had net capital loss carryforwards totaling approximately \$103.0 million available to offset future capital gains, to the extent available and permitted by U.S. federal income tax law. However, as long as MSCC maintains its RIC status, any capital loss carryforwards at the RIC are not subject to a federal income tax-effect and are not subject to an expiration date.

NOTE H—COMMON STOCK

Main Street maintains a program with certain selling agents through which it can sell shares of its common stock by means of at-the-market offerings from time to time (the “ATM Program”).

During the year ended December 31, 2020, Main Street sold 2,645,778 shares of its common stock at a weighted-average price of \$32.10 per share and raised \$84.9 million of gross proceeds under the ATM Program. Net proceeds were \$83.8 million after commissions to the selling agents on shares sold and offering costs. As of December 31, 2020, sales transactions representing 87,179 shares had not settled and are not included in shares issued and outstanding on the face of the consolidated balance sheet, but are included in the weighted-average shares outstanding in the consolidated statement of operations and in the shares used to calculate net asset value per share. As of December 31, 2020, 5,713,372 shares remained available for sale under the ATM Program.

During the year ended December 31, 2019, Main Street sold 2,247,187 shares of its common stock at a weighted-average price of \$40.05 per share and raised \$90.0 million of gross proceeds under the ATM Program. Net proceeds were \$88.8 million after commissions to the selling agents on shares sold and offering costs.

During the year ended December 31, 2018, Main Street sold 2,060,019 shares of its common stock at a weighted-average price of \$38.48 per share and raised \$79.3 million of gross proceeds under the ATM Program. Net proceeds were \$78.0 million after commissions to the selling agents on shares sold and offering costs.

NOTE I—DIVIDEND REINVESTMENT PLAN

The dividend reinvestment feature of Main Street’s dividend reinvestment and direct stock purchase plan (the “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, its 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 by the DRIP plan administrator. Newly issued shares will be valued based upon the final closing price of MSCC’s common stock on the valuation date determined for each dividend by Main Street’s Board of Directors. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased, 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.

Summarized DRIP information for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Years Ended		
	December 31,		
	2020	2019	2018
	(\$ in millions)		
Total dividends paid	\$ 161.1	\$ 182.8	\$ 170.9
DRIP participation	\$ 16.2	\$ 18.1	\$ 14.9
Shares issued for DRIP	517,796	441,927	394,403

NOTE J—SHARE-BASED COMPENSATION

Main Street accounts for its share-based compensation plans using the fair value method, as prescribed by ASC 718, *Compensation—Stock Compensation*. Accordingly, for restricted stock awards, Main Street measured the grant date fair value based upon the market price of its common stock on the date of the grant and 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 December 31, 2020.

Restricted stock authorized under the plan	3,000,000
Less net restricted stock granted during:	
Year ended December 31, 2015	(900)
Year ended December 31, 2016	(260,514)
Year ended December 31, 2017	(223,812)
Year ended December 31, 2018	(243,779)
Year ended December 31, 2019	(384,049)
Year ended December 31, 2020	(370,272)
Restricted stock available for issuance as of December 31, 2020	<u>1,516,674</u>

As of December 31, 2020, the following table summarizes the restricted stock issued to Main Street’s non-employee directors and the remaining shares of restricted stock available for issuance pursuant to the Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan. These shares are granted upon appointment or

election to the board and vest on the day immediately preceding the annual meeting of stockholders following the respective grant date and are expensed over such service period.

Restricted stock authorized under the plan	300,000
Less net restricted stock granted during:	
Year ended December 31, 2015	(6,806)
Year ended December 31, 2016	(6,748)
Year ended December 31, 2017	(5,948)
Year ended December 31, 2018	(6,376)
Year ended December 31, 2019	(6,008)
Year ended December 31, 2020	(11,463)
Restricted stock available for issuance as of December 31, 2020	256,651

For the years ended December 31, 2020, 2019 and 2018, Main Street recognized total share-based compensation expense of \$10.8 million, \$10.1 million and \$9.2 million, respectively, related to the restricted stock issued to Main Street employees and non-employee directors.

As of December 31, 2020, there was \$12.2 million of total unrecognized compensation expense related to Main Street's non-vested restricted shares. This compensation expense is expected to be recognized over a remaining weighted-average period of approximately 1.8 years as of December 31, 2020.

NOTE K—COMMITMENTS AND CONTINGENCIES

At December 31, 2020, Main Street had the following outstanding commitments (in thousands):

<i>Investments with equity capital commitments that have not yet funded:</i>	Amount
Congruent Credit Opportunities Funds	
Congruent Credit Opportunities Fund II, LP	\$ 8,488
Congruent Credit Opportunities Fund III, LP	8,117
	\$ 16,605
EnCap Energy Fund Investments	
EnCap Energy Capital Fund IX, L.P.	\$ 251
EnCap Energy Capital Fund X, L.P.	1,325
EnCap Flatrock Midstream Fund II, L.P.	4,592
EnCap Flatrock Midstream Fund III, L.P.	402
	\$ 6,570
EIG Fund Investments	\$ 3,735
Brightwood Capital Fund Investments	
Brightwood Capital Fund III, LP	\$ 3,000
Freeport Fund Investments	
Freeport Financial SBIC Fund LP	1,375
Freeport First Lien Loan Fund III LP	1,715
	\$ 3,090
LKCM Headwater Investments I, L.P.	\$ 2,500
UnionRock Energy Fund Investments	
UnionRock Energy Fund II, LP	\$ 2,248
Harris Preston Fund Investments	

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	Amount
HPEP 3, L.P.	\$ 1,929
Dos Rios Partners	
Dos Rios Partners, LP	\$ 835
Dos Rios Partners - A, LP	265
	<u>\$ 1,100</u>
MS Private Loan Fund I, LP	\$ 214
Total equity commitments	<u>\$ 40,991</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>	
Eastern Wholesale Fence LLC	\$ 8,143
SI East, LLC	7,500
Adams Publishing Group, LLC	5,000
Bolder Panther Group, LLC	5,000
Classic H&G Holdco, LLC	4,000
Electronic Transaction Consultants, LLC	3,704
GS HVAM Intermediate, LLC	3,636
Market Force Information, LLC	3,400
Ian, Evan & Alexander Corporation (EverWatch)	3,333
Hunter Defense Technologies, Inc.	3,230
NinjaTrader, LLC	3,078
Arcus Hunting LLC	2,892
RTIC Subsidiary Holdings, LLC	2,740
Echo US Holdings, LLC.	2,586
Superior Rigging & Erecting Co.	2,500
Klein Hersh, LLC	2,500
Nebraska Vet AcquireCo, LLC	2,500
Pearl Meyer Topco LLC	2,488
Fortna, Inc.	2,027
PPL RVs, Inc.	2,000
Hawk Ridge Systems, LLC	2,000
Lynx FBO Operating LLC	1,875
Cody Pools, Inc.	1,600
Chamberlin Holding LLC	1,600
Direct Marketing Solutions, Inc.	1,600
Trantech Radiator Topco, LLC	1,600
GRT Rubber Technologies LLC	1,340
Project Eagle Holdings, LLC	1,250
Gamber-Johnson Holdings, LLC	1,200
Tedder Industries, LLC	1,200
Project BarFly, LLC	1,127
CompareNetworks Topco, LLC	1,000
NRI Clinical Research, LLC	1,000
Invincible Boat Company, LLC.	864
Mystic Logistics Holdings, LLC	800
DTE Enterprises RLOC	750
PT Network, LLC	658
ASC Interests, LLC	600
Jensen Jewelers of Idaho, LLC	500
Coastal Television Broadcasting Holdings LLC	500
Clickbooth.com, LLC	457
American Nuts, LLC	281
Dynamic Communities, LLC	250
Total loan commitments	<u>\$ 96,309</u>
Total commitments	<u>\$ 137,300</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 and borrowings under the Credit Facility). Main Street follows a process to manage its liquidity and ensure that it has available capital to fund its unfunded commitments as necessary. The Company had total unrealized depreciation of \$0.1 million on the outstanding unfunded commitments as of December 31, 2020.

Effective January 1, 2019, ASC 842 required that a lessee evaluate its leases to determine whether they should be classified as operating or financing leases. Main Street identified one operating lease for its office space. The lease commenced May 15, 2017 and expires January 31, 2028. It contains two five-year extension options for a final expiration date of January 31, 2038.

As Main Street classified this lease as an operating lease prior to implementation, ASC 842-10-65-1 indicates that a right-of-use asset and lease liability should be recorded based on the effective date. Main Street adopted ASC 842 effective January 1, 2019 and recorded a right-of-use asset and a lease liability as of that date. After this date, Main Street has recorded lease expense on a straight-line basis, consistent with the accounting treatment for lease expense prior to the adoption of ASC 842.

Total operating lease cost incurred by Main Street for each of the years ended December 31, 2020 and 2019 and 2018 was \$0.7 million. As of December 31, 2020, the asset related to the operating lease was \$4.3 million and is included in the interest receivable and other assets balance on the consolidated balance sheet. The lease liability was \$5.0 million and is included in the accounts payable and other liabilities balance on the consolidated balance sheet. As of December 31, 2020, the remaining lease term was 7.1 years and the discount rate was 4.2%.

The following table shows future minimum payments under Main Street's operating lease as of December 31, 2020 (in thousands):

For the Years Ended December 31,	Amount
2021	\$ 776
2022	790
2023	804
2024	818
2025	832
Thereafter	1,779
Total	\$ 5,799

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

NOTE L – SELECTED QUARTERLY DATA (UNAUDITED)

	2020			
	(dollars in thousands, except per share amounts)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 56,150	\$ 52,007	\$ 51,954	\$ 62,503
Net investment income	\$ 36,545	\$ 31,294	\$ 30,462	\$ 39,644
Net increase in net assets resulting from operations	\$ (171,438)	\$ 43,369	\$ 78,195	\$ 79,257
Net investment income per share — basic and diluted	\$ 0.57	\$ 0.48	\$ 0.46	\$ 0.59
Net increase in net assets resulting from operations per share — basic and diluted	\$ (2.66)	\$ 0.66	\$ 1.18	\$ 1.19

	2019			
	(dollars in thousands, except per share amounts)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 61,365	\$ 61,293	\$ 60,068	\$ 60,649
Net investment income	\$ 39,491	\$ 39,617	\$ 39,012	\$ 39,247
Net increase in net assets resulting from operations	\$ 41,401	\$ 38,254	\$ 33,902	\$ 16,014
Net investment income per share — basic and diluted	\$ 0.64	\$ 0.63	\$ 0.62	\$ 0.62
Net increase in net assets resulting from operations per share — basic and diluted	\$ 0.67	\$ 0.61	\$ 0.54	\$ 0.25

	2018			
	(dollars in thousands, except per share amounts)			
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Total investment income	\$ 55,942	\$ 59,869	\$ 58,263	\$ 59,280
Net investment income	\$ 36,975	\$ 39,512	\$ 38,075	\$ 42,083
Net increase in net assets resulting from operations	\$ 34,517	\$ 55,451	\$ 68,740	\$ 9,505
Net investment income per share — basic and diluted	\$ 0.63	\$ 0.66	\$ 0.63	\$ 0.69
Net increase in net assets resulting from operations per share — basic and diluted	\$ 0.59	\$ 0.93	\$ 1.13	\$ 0.16

NOTE M—RELATED PARTY TRANSACTIONS

As discussed further in Note D, the External Investment Manager is treated as a wholly owned portfolio company of MSCC and is included as part of Main Street’s Investment Portfolio. At December 31, 2020, Main Street had a receivable of approximately \$3.5 million due from the External Investment Manager, which included (i) approximately \$2.4 million related primarily to operating expenses incurred by MSCC or its subsidiaries as required to support the External Investment Manager’s business and amounts due from the External Investment Manager to Main Street under a tax sharing agreement (see further discussion in Note D) and (ii) approximately \$1.1 million of dividends declared but not paid by the External Investment Manager. MSCC has entered into an agreement with the External Investment Manager to share employees in connection with its asset management business generally, and specifically for the External Investment Manager’s relationship with MSC Income and its other clients (see further discussion in Note A.1 and Note D).

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 December 31, 2020, \$11.9 million of compensation and dividend reinvestments net of unrealized gains and losses and distributions had been deferred under the 2015 Deferred Compensation Plan (including amounts previously deferred under the 2013 Deferred Compensation Plan). Of this amount, \$5.2 million had been deferred into phantom Main Street stock units, representing 160,352 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 statements of changes in net assets until such shares are actually distributed to the participant in accordance with the plan, but the related phantom stock units are included in weighted-average shares outstanding with the related dollar amount of the deferral included in total expenses in Main Street’s consolidated statements of operations as earned. The dividend amounts related to additional phantom stock units are included in the statements of changes in net assets as an increase to dividends to stockholders offset by a corresponding increase to additional paid-in capital.

In December 2020, the External Investment Manager entered into an Investment Management Agreement with MS Private Loan Fund I, LP, a private investment fund with a strategy to invest in Private Loan portfolio investments (the “Private Loan Fund”), pursuant to which the External Investment Manager provides investment advisory and

management services to the Private Loan Fund in exchange for an asset-based fee and certain incentive fees. The Private Loan Fund is a private investment fund exempt from registration under the 1940 Act that invests in debt investments in middle market companies generally with EBITDA between \$7.5 million and \$50 million and generally owned by a private equity sponsor, which Main Street generally refers to as “Private Loan” investments. In connection with the Private Loan Fund’s initial closing in December 2020, Main Street committed to contribute up to \$10.0 million as a limited partner and will be entitled to distributions on such interest. In addition, certain of Main Street’s officers and employees (and certain of their immediate family members) have made capital commitments to the Private Loan Fund as limited partners and therefore have a direct pecuniary interests in the Private Loan Fund.

From time to time, Main Street may make investments in clients of the External Investment Manager in the form of debt capital on terms approved by our Board of Directors. In January 2021, Main Street entered into a Term Loan Agreement with MSC Income (the “Term Loan Agreement”). The Term Loan Agreement was unanimously approved by Main Street’s Board, including each director who is not an “interested person,” as such term is defined in Section 2(a)(19) of the 1940 Act and the board of directors of MSC Income, including each director who is not an “interested person” of MSC Income or the External Investment Manager. The Term Loan Agreement provides for a term loan of \$40.0 million to MSC Income, bearing interest at a fixed rate of 5.00% per annum, and matures in January 2026. Borrowings under the Term Loan Agreement are expressly subordinated and junior in right of payment to all secured indebtedness of MSC Income and are subject to a two-year no-call period that expires on January 27, 2023. Additionally, Main Street provided the Private Loan Fund with a revolving line of credit pursuant to an Unsecured Revolving Promissory Note, dated February 5, 2021 (the “Private Loan Fund Loan”), in an aggregate amount equal to the amount of limited partner capital commitments to the Private Loan Fund up to \$50.0 million. Borrowings under the Private Loan Fund Loan bear interest at a fixed rate of 5.00% per annum and will mature on the earlier of June 30, 2022 and the date of the Private Loan Fund’s final closing.

NOTE N—SUBSEQUENT EVENTS

In January 2021, Main Street issued \$300.0 million in aggregate principal amount of 3.00% unsecured notes due July 14, 2026 (the “3.00% Notes”) at an issue price of 99.004%. The total net proceeds from the 3.00% Notes, resulting from the issue price and after underwriting discounts and estimated offering expenses payable, were approximately \$294.8 million.

During February 2021, Main Street declared monthly dividends of \$0.205 per share for each month of April, May and June of 2021. These monthly dividends equal a total of \$0.615 per share for the second quarter of 2021, unchanged from the monthly dividends paid in the second quarter of 2020. Including the monthly dividends declared for the second quarter of 2021, Main Street will have paid \$30.830 per share in cumulative dividends since its October 2007 initial public offering.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Main Street Capital Corporation

Opinion on financial statement schedule

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”) the consolidated financial statements of Main Street Capital Corporation and subsidiaries (the “Company”) referred to in our report dated February 26, 2021, which is included in the annual report on Form 10-K. Our audits of the consolidated financial statements also included the audit of the financial statement schedule (listed in the index appearing under Item 15(2)). In our opinion, this financial statement schedule, when considered in relation to the consolidated financial statements as a whole, presents fairly, in all material respects, the information set forth therein.

Basis for opinion

This financial statement schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement schedule based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

/s/ GRANT THORNTON LLP
Houston, Texas
February 26, 2021

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments In and Advances to Affiliates
December 31, 2020
(dollars in thousands)

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2019 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2020 Fair Value
Majority-owned investments									
Café Brazil, LLC	Member Units	(8)	\$ —	\$ (410)	\$ 38	\$ 2,440	\$ —	\$ 410	\$ 2,030
California Splendor Holdings LLC	LIBOR Plus 8.00% (Floor 1.00%)	(9)	—	—	—	—	—	—	—
	LIBOR Plus 10.00% (Floor 1.00%)	(9)	—	29	1,154	7,104	18,239	17,300	8,043
	Preferred Member Units	(9)	—	(65)	3,291	27,801	53	65	27,789
	Preferred Member Units	(9)	—	—	1,092	7,163	1,092	—	8,255
	Preferred Member Units	(9)	—	(1,141)	250	7,382	—	1,141	6,241
Clad-Rex Steel, LLC	LIBOR Plus 9.50% (Floor 1.00%)	(5)	—	49	1,195	10,781	72	—	10,853
	Member Units	(5)	—	(1,020)	587	9,630	—	1,020	8,610
	10% Secured Debt	(5)	—	(11)	113	1,137	—	37	1,100
	Member Units	(5)	—	70	—	460	70	—	530
CMS Minerals Investments	Member Units	(9)	—	(69)	—	1,900	—	276	1,624
Cody Pools, Inc.	LIBOR Plus 10.50% (Floor 1.75%)	(8)	—	125	1,798	—	16,000	1,784	14,216
	Preferred Member Units	(8)	—	6,623	87	—	14,940	—	14,940
CompareNetworks Topco, LLC	LIBOR Plus 11.00% (Floor 1.00%)	(9)	—	43	1,123	8,288	2,075	2,410	7,953
	Preferred Member Units	(9)	—	3,770	632	3,010	3,770	—	6,780
Direct Marketing Solutions, Inc.	LIBOR Plus 11.00% (Floor 1.00%)	(9)	—	(110)	1,934	15,707	37	737	15,007
	Preferred Stock	(9)	—	(820)	—	20,200	—	820	19,380
Gamber-Johnson Holdings, LLC	LIBOR Plus 7.00% (Floor 2.00%)	(5)	—	(41)	1,776	19,022	1,640	824	19,838
	Member Units	(5)	—	(920)	3,537	53,410	—	920	52,490
GRT Rubber Technologies LLC	LIBOR Plus 7.00%	(8)	—	—	1,294	15,016	1,759	—	16,775
	Member Units	(8)	—	(2,550)	3,542	47,450	—	2,550	44,900
Guerdon Modular Holdings, Inc.	16.00% Secured Debt	(9)	(12,776)	12,588	—	—	12,776	12,776	—
	LIBOR Plus 8.50% (Floor 1.00%)	(9)	—	(993)	1,010	—	993	993	—
	Preferred Stock	(9)	(1,140)	1,140	—	—	1,140	1,140	—
	Common Stock	(9)	(2,849)	2,983	—	—	2,849	2,849	—
	Warrants	(9)	—	—	—	—	—	—	—
Harborside Holdings, LLC	Member Units	(8)	(2,406)	(3,054)	—	9,560	100	9,660	—
IDX Broker, LLC	11.00% Secured Debt	(9)	—	(42)	711	13,400	42	13,442	—
	Preferred Member Units	(9)	9,337	(9,088)	1,193	15,040	—	15,040	—
Jensen Jewelers of Idaho, LLC	Prime Plus 6.75% (Floor 2.00%)	(9)	—	(14)	423	4,000	14	614	3,400
	Member Units	(9)	—	(650)	683	8,270	—	650	7,620
Kickhaefer Manufacturing Company, LLC	11.50% Secured Debt	(5)	—	—	2,947	24,982	1,433	4,146	22,269
	Member Units	(5)	—	—	—	12,240	—	—	12,240
	9.00% Secured Debt	(5)	—	—	357	3,939	—	30	3,909
	Member Units	(5)	—	—	84	1,160	—	—	1,160
Market Force Information, LLC	12.00% PIK Secured Debt	(9)	—	(11,762)	242	22,621	2,794	11,853	13,562
	LIBOR Plus 11.00% (Floor 1.00%)	(9)	—	—	116	2,695	1,791	2,886	1,600
	Member Units	(9)	—	(5,280)	—	5,280	—	5,280	—
MH Corbin Holding LLC	13.00% Secured Debt	(5)	—	(322)	1,181	8,890	32	642	8,280
	Preferred Member Units	(5)	—	(20)	—	20	—	20	—
	Preferred Member Units	(5)	—	(2,400)	—	4,770	—	2,400	2,370
Mid-Columbia Lumber Products, LLC	10.00% Secured Debt	(9)	—	—	44	1,602	148	1,750	—
	12.00% Secured Debt	(9)	—	256	119	3,644	256	3,900	—
	Member Units	(9)	(4,240)	3,239	1	—	101	101	—
	9.50% Secured Debt	(9)	—	—	30	701	—	701	—
	Member Units	(9)	—	(850)	20	1,640	709	2,349	—
MSC Adviser I, LLC	Member Units	(8)	—	12,740	2,491	74,520	42,240	—	116,760
Mystic Logistics Holdings, LLC	12.00% Secured Debt	(6)	—	—	814	6,253	990	520	6,723
	Common Stock	(6)	—	580	203	8,410	580	—	8,990
OMI Holdings, Inc.	Common Stock	(8)	—	3,430	2,343	16,950	3,430	—	20,380
Pearl Meyer Topco LLC	12.00% Secured Debt	(6)	—	—	3,356	—	37,202	—	37,202
	Member Units	(6)	—	2,940	538	—	16,740	800	15,940

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2019 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2020 Fair Value
PPL RVs, Inc.	LIBOR Plus 7.00% (Floor 0.50%)	(8)	—	25	1,204	12,118	188	—	11,806
	Common Stock	(8)	—	1,570	690	9,930	1,570	—	11,500
Principle Environmental, LLC (d/b/a TruHorizon Environmental Solutions)	13.00% Secured Debt	(8)	—	—	—	—	—	—	—
	Preferred Member Units	(8)	—	44	877	6,397	—	—	6,397
	Warrants	(8)	—	(2,890)	—	13,390	—	2,890	10,500
Quality Lease Service, LLC	Member Units	(7)	—	(220)	—	1,090	—	220	870
Trantech Radiator Topco, LLC	12.00% Secured Debt	(7)	—	(4,880)	—	9,289	301	5,130	4,460
	Common Stock	(7)	—	—	1,105	9,102	22	480	8,644
Vision Interests, Inc.	13.00% Secured Debt	(9)	—	1,375	116	4,655	1,375	—	6,030
	Series A Preferred Stock	(9)	—	—	268	2,028	—	—	2,028
	Common Stock	(9)	(3,586)	3,296	—	4,089	—	929	3,160
Ziegler's NYPD, LLC	6.50% Secured Debt	(8)	—	—	—	409	3,296	3,705	—
	12.00% Secured Debt	(8)	—	(21)	66	1,000	—	21	979
	14.00% Secured Debt	(8)	—	—	76	625	—	—	625
	Warrants	(8)	—	—	391	2,750	—	—	2,750
	Preferred Member Units	(8)	—	—	—	—	—	—	—
	Preferred Member Units	(8)	—	511	—	1,269	511	—	1,780
Other controlled investments									
Access Media Holdings, LLC	10.00% PIK Secured Debt	(5)	(19,698)	17,442	50	6,387	17,442	23,829	—
	Preferred Member Units	(5)	(9,376)	9,660	—	(284)	9,660	9,376	—
	Member Units	(5)	—	(1)	—	—	1	—	—
Analytical Systems Keco, LLC	LIBOR Plus 10.00% (Floor 2.00%)	(8)	—	—	724	5,210	74	410	4,874
	Preferred Member Units	(8)	—	—	—	3,200	—	—	3,200
	Warrants	(8)	—	(306)	—	316	—	306	10
ASC Interests, LLC	13.00% Secured Debt	(8)	—	—	237	1,639	100	24	1,715
	Member Units	(8)	—	(170)	—	1,290	—	170	1,120
ATS Workholding, LLC	5.00% Secured Debt	(9)	—	(1,332)	282	4,521	179	1,353	3,347
	Preferred Member Units	(9)	—	(939)	—	939	—	939	—
Bolder Panther Group, LLC	LIBOR Plus 9.00% (Floor 1.50%)	(9)	—	—	579	—	27,225	—	27,225
	Preferred Member Units	(9)	—	—	—	—	10,194	—	10,194
	Preferred Member Units	(9)	—	—	—	—	14,000	—	14,000
Bond-Coat, Inc.	15.00% Secured Debt	(8)	(3)	—	1,399	11,473	123	11,596	—
	Common Stock	(8)	—	(6,260)	—	8,300	—	6,260	2,040
Brewer Crane Holdings, LLC	LIBOR Plus 10.00% (Floor 1.00%)	(9)	—	—	1,012	8,989	20	496	8,513
	Preferred Member Units	(9)	—	1,570	120	4,280	1,570	—	5,850
Bridge Capital Solutions Corporation	13.00% Secured Debt	(6)	—	—	1,771	7,797	606	—	8,403
	Warrants	(6)	—	(280)	—	3,500	—	280	3,220
	13.00% Secured Debt	(6)	—	—	135	996	2	—	998
	Preferred Member Units	(6)	—	—	100	1,000	—	—	1,000
CBT Nuggets, LLC	Member Units	(9)	—	(4,770)	954	50,850	—	4,770	46,080
Centre Technologies Holdings, LLC	LIBOR Plus 10.00% (Floor 2.00%)	(8)	—	—	1,480	12,136	25	612	11,549
	Preferred Member Units	(8)	—	320	120	5,840	320	—	6,160
Chamberlin Holding LLC	LIBOR Plus 8.00% (Floor 1.00%)	(8)	—	(47)	1,942	17,773	47	2,608	15,212
	Member Units	(8)	—	4,030	4,134	24,040	4,030	—	28,070
	Member Units	(8)	—	(455)	68	1,450	275	455	1,270
Charps, LLC	15.00% Secured Debt	(5)	—	—	258	2,000	—	1,331	669
	8.67% Current / 1.33% PIK	(5)	—	1,716	1,499	—	8,903	428	8,475
	Preferred Member Units	(5)	—	2,718	559	6,920	3,600	—	10,520
Copper Trail Fund Investments	LP Interests (CTMH, LP)	(9)	—	—	—	872	—	125	747
Datacom, LLC	8.00% Secured Debt	(8)	—	—	—	1,615	—	—	1,615
	10.50% PIK Secured Debt	(8)	—	389	—	10,142	389	—	10,531
	Class A Preferred Member Units	(8)	—	—	—	—	—	—	—
	Class B Preferred Member Units	(8)	—	—	—	—	—	—	—
Digital Products Holdings LLC	LIBOR Plus 10.00% (Floor 1.00%)	(5)	—	1,026	2,177	18,452	1,072	1,447	18,077
	Preferred Member Units	(5)	—	4,661	200	5,174	4,661	—	9,835
Garreco, LLC	LIBOR Plus 8.00% (Floor 1.00%, Ceiling 1.50%)	(8)	—	—	428	4,515	4	—	4,519
	Member Units	(8)	—	(1,150)	—	2,560	—	1,150	1,410
Gulf Manufacturing, LLC	Member Units	(8)	—	(2,920)	135	7,430	—	2,920	4,510
Gulf Publishing Holdings, LLC	LIBOR Plus 9.50% (Floor 1.00%), Current Coupon 5.25% / 5.25% PIK	(8)	—	—	27	280	17	47	250
	6.25% Current / 6.25% PIK	(8)	—	(1,091)	1,650	12,493	1,055	1,504	12,044
	Member Units	(8)	—	(2,420)	—	2,420	—	2,420	—
Harris Preston Fund Investments	LP Interests (2717 MH, L.P.)	(8)	693	(319)	—	3,157	52	507	2,702
	LP Interests (2717 HPP-MH, L.P.)	(8)	—	—	—	—	250	—	250
Harrison Hydra-Gen, Ltd.	Common Stock	(8)	—	(2,520)	104	7,970	—	2,520	5,450

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2019 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2020 Fair Value	
J&J Services, Inc.	11.50% Secured Debt	(7)	—	103	1,943	17,430	170	4,800	12,800	
	Preferred Stock	(7)	—	5,595	—	7,160	5,595	75	12,680	
KBK Industries, LLC	Member Units	(5)	—	(2,270)	—	15,470	—	2,270	13,200	
NAPCO Precast, LLC	Member Units	(8)	—	1,340	642	14,760	1,340	—	16,100	
Nebraska Vet AcquireCo, LLC (NVS)	12.00% Secured Debt	(5)	—	—	223	—	10,395	—	10,395	
	Preferred Member Units	(5)	—	—	—	—	6,500	—	6,500	
NexRev LLC	11.00% PIK Secured Debt	(8)	—	(289)	1,973	17,469	201	944	16,726	
	Preferred Member Units	(8)	—	(4,840)	(35)	6,310	—	4,840	1,470	
NRI Clinical Research, LLC	9.00% Secured Debt	(9)	—	(47)	752	5,981	1,566	1,927	5,620	
	Warrants	(9)	—	260	—	1,230	260	—	1,490	
	Member Units	(9)	—	612	548	4,988	1,160	548	5,600	
NRP Jones, LLC	12.00% Secured Debt	(5)	—	—	764	6,376	—	4,296	2,080	
	Member Units	(5)	1,279	(1,889)	384	4,710	—	1,889	2,821	
NuStep, LLC	12.00% Secured Debt	(5)	—	—	2,444	19,703	196	2,706	17,193	
	Preferred Member Units	(5)	—	580	—	10,200	580	—	10,780	
Pegasus Research Group, LLC	Member Units	(8)	—	660	491	8,170	660	—	8,830	
Project BarFly, LLC	Member Units	(5)	—	—	—	—	1,584	—	1,584	
	7.00% Secured Debt	(5)	(8,591)	8,961	—	7,736	2,438	10,174	—	
	7.00% Secured Debt	(5)	(110)	—	—	—	110	110	—	
	Warrants	(5)	(607)	607	—	—	607	607	—	
	7.00% Secured Debt	(5)	—	—	3	—	343	—	343	
	Warrants	(5)	(473)	473	—	—	473	473	—	
River Aggregates, LLC	Zero Coupon Secured Debt	(8)	—	28	—	722	28	750	—	
	Member Units	(8)	4,015	(3,840)	187	4,990	—	4,990	—	
	Member Units	(8)	—	71	—	3,169	71	—	3,240	
Tedder Industries, LLC	12.00% Secured Debt	(9)	—	—	2,097	16,912	29	640	16,301	
	Preferred Member Units	(9)	—	—	—	8,136	—	—	8,136	
UnionRock Energy Fund II, LP	LP Interests	(9)	—	—	—	—	2,894	—	2,894	
Other										
Amounts related to investments transferred to or from other 1940 Act classification during the period										
			(8,069)	4,251	9	(3,172)	—	—	—	
Total Control Investments			(59,594)	37,924	81,155	1,032,721	336,485	258,653	1,113,725	
Affiliate Investments										
AAC Holdings, Inc.	18.00% (10.00% Cash, 8.00% PIK) Secured Debt	(7)	(11,210)	4,568	119	11,530	21,359	23,702	9,187	
	Common Stock	(7)	—	—	—	—	3,148	—	3,148	
	Warrants	(7)	—	2,938	—	—	2,938	—	2,938	
AFG Capital Group, LLC	10.00% Secured Debt	(8)	—	—	66	838	—	347	491	
	Preferred Member Units	(8)	—	630	—	5,180	630	—	5,810	
American Trailer Rental Group LLC	LIBOR Plus 7.25% (Floor 1.00%)	(5)	—	(182)	1,119	27,087	182	27,269	—	
	Member Units	(5)	—	3,729	—	8,540	7,470	—	16,010	
BBB Tank Services, LLC	LIBOR Plus 11.00% (Floor 1.00%)	(8)	—	(51)	668	4,698	75	51	4,722	
	Preferred Member Units	(8)	—	—	20	131	20	—	151	
	Member Units	(8)	—	(10)	—	290	—	10	280	
Bocella Precast Products LLC	LIBOR Plus 10.00% (Floor 1.00%)	(6)	—	(138)	982	13,244	138	13,382	—	
	Member Units	(6)	—	(230)	619	6,270	—	230	6,040	
Buca C, LLC	LIBOR Plus 9.25% (Floor 1.00%)	(7)	—	(4,562)	2,032	18,794	24	4,562	14,256	
	Preferred Member Units	(7)	—	(4,770)	69	4,701	69	4,770	—	
CAI Software LLC	12.50% Secured Debt	(6)	—	257	3,001	9,160	40,830	2,516	47,474	
	Member Units	(6)	—	636	10	5,210	1,980	—	7,190	
Chandler Signs Holdings, LLC	Class A Units	(8)	—	(1,280)	(91)	2,740	—	1,280	1,460	
Charlotte Russe, Inc	Common Stock	(9)	—	—	—	—	—	—	—	
Classic H&G Holdings, LLC	12.00% Secured Debt	(6)	—	217	3,112	—	26,000	1,200	24,800	
	Preferred Member Units	(6)	—	3,750	469	—	9,510	—	9,510	
Congruent Credit Opportunities Funds	LP Interests (Fund II)	(8)	—	—	—	855	—	761	94	
	LP Interests (Fund III)	(8)	—	(515)	823	13,915	—	2,375	11,540	
Copper Trail Fund Investments	LP Interests (Copper Trail Energy Fund I, LP)	(9)	—	(744)	698	2,362	—	580	1,782	
Dos Rios Partners	LP Interests (Dos Rios Partners, LP)	(8)	—	(2,375)	—	7,033	759	2,375	5,417	
	LP Interests (Dos Rios Partners - A, LP)	(8)	—	(754)	—	2,233	241	754	1,720	
East Teak Fine Hardwoods, Inc.	Common Stock	(7)	—	(100)	—	400	—	100	300	
EIG Fund Investments	LP Interests (EIG Global Private Debt fund-A, L.P.)	(8)	6	(165)	141	720	110	304	526	
Freeport Financial Funds	LP Interests (Freeport Financial SBIC Fund LP)	(5)	—	(514)	—	5,778	—	514	5,264	
	LP Interests (Freeport First Lien Loan Fund III LP)	(5)	—	(204)	930	9,696	989	364	10,321	
Harris Preston Fund Investments	LP Interests (HPEP 3, L.P.)	(8)	—	187	—	2,474	784	—	3,258	

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2019 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2020 Fair Value
Hawk Ridge Systems, LLC	LIBOR Plus 6.00% (Floor 1.00%)	(9)	—	—	70	600	1,384	1,984	—
	11.00% Secured Debt	(9)	—	(31)	1,758	13,400	5,031	31	18,400
	Preferred Member Units	(9)	—	130	378	7,900	130	—	8,030
	Preferred Member Units	(9)	—	—	—	420	—	—	420
Houston Plating and Coatings, LLC	8.00% Unsecured Convertible Debt	(8)	—	—	—	—	—	—	—
	Member Units	(8)	—	(1,360)	244	4,260	—	1,360	2,900
I-45 SLF LLC	Member Units	(8)	—	(5,250)	261	10,330	—	5,250	5,080
L.F. Manufacturing Holdings, LLC	Preferred Member Units	(8)	—	(1,818)	2,346	14,407	3,200	1,818	15,789
OnAsset Intelligence, Inc.	Member Units	(8)	—	—	12	81	12	—	93
	12.00% PIK Secured Debt	(8)	—	—	—	2,050	—	—	2,050
PCI Holding Company, Inc.	10.00% PIK Secured Debt	(8)	—	—	827	6,474	827	—	7,301
	Preferred Stock	(8)	—	—	6	58	9	3	64
	Warrants	(8)	—	—	—	—	—	—	—
Rocacia, LLC (Quality Lease and Rental Holdings, LLC)	12.00% Current Secured Debt	(9)	—	—	1,851	11,356	—	11,356	—
	Preferred Stock	(9)	—	1,450	—	2,680	1,450	—	4,130
	Preferred Stock	(9)	2,610	(2,610)	—	4,350	—	4,350	—
Salado Stone Holdings, LLC	12.00% Secured Debt	(8)	(413)	—	—	—	413	413	—
	Preferred Member Units	(8)	—	—	—	—	—	—	—
SI East, LLC	Class A Preferred Units	(8)	—	680	—	570	680	—	1,250
Slick Innovations, LLC	9.50% Current, Secured Debt	(7)	—	(74)	3,285	32,963	73	74	32,962
	Preferred Member Units	(7)	—	1,580	1,292	8,200	1,580	—	9,780
Superior Rigging & Erecting Co.	13.00% Current, Secured Debt	(6)	—	115	919	6,197	163	641	5,719
	Warrants	(6)	—	70	—	290	70	—	360
	Common Stock	(6)	—	250	—	1,080	250	—	1,330
UniTek Global Services, Inc.	12.00% Current, Secured Debt	(7)	—	—	1,110	—	21,298	—	21,298
	Preferred Member Units	(7)	—	—	—	—	4,500	—	4,500
Universal Wellhead Services Holdings, LLC	LIBOR Plus 6.50% (Floor 1.00%)	(6)	—	(283)	233	2,962	17	553	2,426
	Preferred Stock	(6)	—	(2,684)	—	2,684	—	2,684	—
	Preferred Stock	(6)	—	(2,119)	212	2,282	212	2,119	375
	Preferred Stock	(6)	—	312	255	1,889	945	2	2,832
	Preferred Stock	(6)	—	(3,667)	—	3,667	—	3,667	—
Volution, LLC	Common Stock	(6)	—	—	—	—	—	—	—
	Preferred Member Units	(8)	—	(800)	—	800	—	800	—
Other	Member Units	(8)	—	—	—	—	—	—	—
	11.50% Secured Debt	(8)	—	(181)	2,438	19,352	71	181	19,242
	8.00% Unsecured Convertible Debt	(8)	—	—	33	291	—	—	291
	Preferred Member Units	(8)	—	(8,010)	—	14,000	—	8,010	5,990
Warrants	(8)	—	(150)	—	150	—	150	—	
Amounts related to investments transferred to or from other 1940 Act classification during the period			11,210	(4,906)	118	(9,335)	—	—	—
Total Affiliate investments			2,203	(29,038)	32,435	330,287	159,571	132,892	366,301

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

unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

- (5) Portfolio company located in the Midwest region as determined by location of the corporate headquarters. The fair value as of December 31, 2020 for control investments located in this region was \$256,121. This represented 16.9% of net assets as of December 31, 2020. The fair value as of December 31, 2020 for affiliate investments located in this region was \$31,595. This represented 2.1% of net assets as of December 31, 2020.
- (6) Portfolio company located in the Northeast region as determined by location of the corporate headquarters. The fair value as of December 31, 2020 for control investments located in this region was \$82,476. This represented 5.4% of net assets as of December 31, 2020. The fair value as of December 31, 2020 for affiliate investments located in this region was \$108,056. This represented 7.1% of net assets as of December 31, 2020.
- (7) Portfolio company located in the Southeast region as determined by location of the corporate headquarters. The fair value as of December 31, 2020 for control investments located in this region was \$44,614. This represented 2.9% of net assets as of December 31, 2020. The fair value as of December 31, 2020 for affiliate investments located in this region was \$98,369. This represented 6.5% of net assets as of December 31, 2020.
- (8) Portfolio company located in the Southwest region as determined by location of the corporate headquarters. The fair value as of December 31, 2020 for control investments located in this region was \$442,075. This represented 29.2% of net assets as of December 31, 2020. The fair value as of December 31, 2020 for affiliate investments located in this region was \$95,519. This represented 6.3% of net assets as of December 31, 2020.
- (9) Portfolio company located in the West region as determined by location of the corporate headquarters. The fair value as of December 31, 2020 for control investments located in this region was \$288,439. This represented 19.0% of net assets as of December 31, 2020. The fair value as of December 31, 2020 for affiliate investments located in this region was \$32,762. This represented 2.2% of net assets as of December 31, 2020.
- (10) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities," unless otherwise noted.
- (11) This schedule should be read in conjunction with the consolidated schedule of investments and notes to the consolidated financial statements. Supplemental information can be located within the schedule of investments including end of period interest rate, preferred dividend rate, maturity date, investments not paid currently in cash and investments whose value was determined using significant unobservable inputs.
- (12) Investment has an unfunded commitment as of December 31, 2020 (see Note K). The fair value of the investment includes the impact of the fair value of any unfunded commitments.

MAIN STREET CAPITAL CORPORATION
Consolidated Schedule of Investments In and Advances to Affiliates
December 31, 2019
(dollars in thousands)

<u>Company</u>	<u>Investment(1)(10)(11)</u>	<u>Geography</u>	<u>Amount of Realized Gain/(Loss)</u>	<u>Amount of Unrealized Gain/(Loss)</u>	<u>Amount of Interest, Fees or Dividends Credited to Income(2)</u>	<u>December 31, 2018 Fair Value</u>	<u>Gross Additions(3)</u>	<u>Gross Reductions(4)</u>	<u>December 31, 2019 Fair Value</u>
<i>Majority-owned investments</i>									
Café Brazil, LLC	Member Units	(8)	\$ —	\$ (2,340)	\$ 233	\$ 4,780	\$ —	\$ 2,340	\$ 2,440
California Splendor Holdings LLC	LIBOR Plus 8.00% (Floor 1.00%)	(9)	—	—	1,175	10,928	17,176	21,000	7,104
	LIBOR Plus 10.00% (Floor 1.00%)	(9)	—	—	3,595	27,755	46	—	27,801
	Preferred Member Units	(9)	—	—	438	—	7,438	275	7,163
	Preferred Member Units	(9)	—	(2,363)	250	9,745	—	2,363	7,382
Clad-Rex Steel, LLC	LIBOR Plus 9.00% (Floor 1.00%)	(5)	—	(128)	1,367	12,080	29	1,328	10,781
	Member Units	(5)	—	(980)	269	10,610	—	980	9,630
	10% Secured Debt	(5)	—	—	115	1,161	—	24	1,137
	Member Units	(5)	—	110	—	350	110	—	460
CMS Minerals Investments	Member Units	(9)	—	(359)	41	2,580	—	680	1,900
CompareNetworks Topco, LLC	LIBOR Plus 11.00% (Floor 1.00%)	(9)	—	—	1,270	—	8,924	636	8,288
	Preferred Member Units	(9)	—	1,035	2	—	3,010	—	3,010
Direct Marketing Solutions, Inc.	LIBOR Plus 11.00% (Floor 1.00%)	(9)	—	110	2,391	17,848	159	2,300	15,707
	Preferred Stock	(9)	—	5,300	—	14,900	5,300	—	20,200
Gamber-Johnson Holdings, LLC	LIBOR Plus 6.50% (Floor 2.00%)	(5)	—	(57)	1,980	21,486	57	2,521	19,022
	Member Units	(5)	—	7,950	3,721	45,460	7,950	—	53,410
GRT Rubber Technologies LLC	LIBOR Plus 7.00%	(8)	—	(23)	1,226	9,740	5,299	23	15,016
	Member Units	(8)	—	8,390	11,152	39,060	8,390	—	47,450
Guerdon Modular Holdings, Inc.	16% Secured Debt	(9)	—	(12,018)	424	12,002	16	12,018	—
	LIBOR Plus 8.50% (Floor 1.00%)	(9)	—	(1,010)	9	—	1,010	1,010	—
	Preferred Stock	(9)	—	—	—	—	—	—	—
	Common Stock	(9)	(134)	—	—	—	134	134	—
	Warrants	(9)	—	—	—	—	—	—	—
Harborside Holdings, LLC	Member Units	(8)	—	(140)	—	9,500	200	140	9,560
IDX Broker, LLC	11.5% Secured Debt	(9)	—	(46)	1,669	14,350	46	996	13,400
	Preferred Member Units	(9)	—	1,520	345	13,520	1,520	—	15,040
Jensen Jewelers of Idaho, LLC	Prime Plus 6.75% (Floor 2.00%)	(9)	—	22	406	3,355	4,001	3,356	4,000
	Member Units	(9)	—	3,180	953	5,090	3,180	—	8,270
Kickhaefer Manufacturing Company, LLC	11.5% Secured Debt	(5)	—	—	3,265	28,775	71	3,864	24,982
	Member Units	(5)	—	—	—	12,240	—	—	12,240
	9.0% Secured Debt	(5)	—	—	357	3,970	—	31	3,939
	Member Units	(5)	—	168	108	992	168	—	1,160
Lamb Ventures, LLC	LIBOR Plus 5.75%	(8)	—	(2)	10	—	402	402	—
	11% Secured Debt	(8)	—	(32)	608	8,339	3,532	11,871	—
	Preferred Equity	(8)	—	—	—	400	—	400	—
	Member Units	(8)	6,006	(2,167)	394	7,440	—	7,440	—
	9.5% Secured Debt	(8)	—	(4)	24	432	4	436	—
	Member Units	(8)	(139)	(5)	74	630	—	630	—
Market Force Information, LLC	8% Secured Debt	(9)	—	(92)	132	200	2,787	292	2,695
	6% Current / 6% PIK Secured Debt	(9)	—	(536)	3,103	22,624	533	536	22,621
	Member Units	(9)	—	—	—	13,100	1,942	9,762	5,280
MH Corbin Holding LLC	5% Current / 5% PIK Secured Debt	(5)	—	462	1,446	11,733	1,557	4,400	8,890
	Preferred Member Units	(5)	—	(980)	—	1,000	—	980	20
	Preferred Member Units	(5)	—	370	—	—	4,770	—	4,770
Mid-Columbia Lumber Products, LLC	10% Secured Debt	(9)	—	—	181	1,746	4	148	1,602
	12% Secured Debt	(9)	—	(255)	493	3,880	19	255	3,644
	Member Units	(9)	—	(4,098)	6	3,860	238	4,098	—
	9.5% Secured Debt	(9)	—	—	69	746	—	45	701
	Member Units	(9)	—	170	73	1,470	170	—	1,640
MSC Adviser I, LLC	Member Units	(8)	—	8,772	4,988	65,748	8,772	—	74,520
Mystic Logistics Holdings, LLC	12% Secured Debt	(6)	—	—	875	7,506	29	1,282	6,253
	Common Stock	(6)	—	8,200	219	210	8,200	—	8,410
PPL RVs, Inc.	LIBOR Plus 8.75% (Floor 0.50%)	(8)	—	(94)	1,463	15,100	41	3,023	12,118
	Common Stock	(8)	—	(450)	—	10,380	—	450	9,930

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2018 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2019 Fair Value
Principle Environmental, LLC (d/b/a TruHorizon Environmental Solutions)	13% Secured Debt	(8)	—	—	—	—	—	—	—
	Preferred Member Units	(8)	—	(61)	935	7,477	61	1,141	6,397
	Warrants	(8)	—	310	2,317	13,090	300	—	13,390
			—	—	—	780	310	—	1,090
Quality Lease Service, LLC	Zero Coupon Secured Debt	(7)	(741)	891	—	6,450	891	7,341	—
	Member Units	(7)	—	(1,490)	—	3,809	6,970	1,490	9,289
The MPI Group, LLC	9% Secured Debt	(7)	—	342	267	2,582	342	—	2,924
	Series A Preferred Units	(7)	(8)	(440)	—	440	8	448	—
	Warrants	(7)	—	—	—	—	—	—	—
	Member Units	(7)	—	(839)	137	2,479	—	839	1,640
Trantech Radiator Topco, LLC	12% Secured Debt	(7)	—	—	981	—	10,302	1,200	9,102
	Common Stock	(7)	—	—	68	—	4,655	—	4,655
Vision Interests, Inc.	13% Secured Debt	(9)	—	—	271	2,153	—	125	2,028
	Series A Preferred Stock	(9)	—	349	—	3,740	349	—	4,089
	Common Stock	(9)	—	129	—	280	129	—	409
Ziegler's NYPD, LLC	6.5% Secured Debt	(8)	—	(2)	72	1,000	2	2	1,000
	12% Secured Debt	(8)	—	—	67	425	200	—	625
	14% Secured Debt	(8)	—	—	402	2,750	—	—	2,750
	Warrants	(8)	—	—	—	—	—	—	—
	Preferred Member Units	(8)	—	20	—	1,249	20	—	1,269
Other controlled investments									
Access Media Holdings, LLC	10% PIK Secured Debt	(5)	—	(2,171)	50	8,558	—	2,171	6,387
	Preferred Member Units (12)	(5)	—	—	—	(284)	—	—	(284)
	Member Units	(5)	—	—	—	—	—	—	—
Analytical Systems Keeco, LLC	LIBOR Plus 10.00% (Floor 2.00%)	(8)	—	—	448	—	5,245	35	5,210
	Preferred Member Units	(8)	—	—	—	—	3,200	—	3,200
	Warrants	(8)	—	—	—	—	316	—	316
ASC Interests, LLC	11% Secured Debt	(8)	—	—	201	1,622	17	—	1,639
	Member Units	(8)	—	(80)	—	1,370	—	80	1,290
ATS Workholding, LLC	5% Secured Debt	(9)	—	(28)	364	4,390	225	94	4,521
	Preferred Member Units	(9)	—	(2,787)	—	3,726	—	2,787	939
Bond-Coat, Inc.	15% Secured Debt	(8)	—	(229)	1,853	11,596	106	229	11,473
	Common Stock	(8)	—	(1,070)	—	9,370	—	1,070	8,300
Brewer Crane Holdings, LLC	LIBOR Plus 10.00% (Floor 1.00%)	(9)	—	—	1,167	9,467	18	496	8,989
	Preferred Member Units	(9)	—	—	120	4,280	—	—	4,280
Bridge Capital Solutions Corporation	13% Secured Debt	(6)	—	—	1,480	6,221	1,576	—	7,797
	Warrants	(6)	—	(520)	—	4,020	—	520	3,500
	13% Secured Debt	(6)	—	(6)	101	1,000	2	6	996
	Preferred Member Units	(6)	—	—	75	1,000	—	—	1,000
CBT Nuggets, LLC	Member Units	(9)	—	(10,760)	300	61,610	—	10,760	50,850
Centre Technologies Holdings, LLC	LIBOR Plus 9.00% (Floor 2.00%)	(8)	—	—	1,572	—	12,136	—	12,136
	Preferred Member Units	(8)	—	—	120	—	5,840	—	5,840
Chamberlin Holding LLC	LIBOR Plus 10.00% (Floor 1.00%)	(8)	—	125	2,474	20,028	174	2,429	17,773
	Member Units	(8)	—	5,100	1,659	18,940	5,100	—	24,040
	Member Units	(8)	—	403	45	732	718	—	1,450
Charps, LLC	11.50% Secured Debt	(5)	—	(83)	675	11,888	1,695	13,583	—
	15% Secured Debt	(5)	—	—	175	—	2,000	—	2,000
	Preferred Member Units	(5)	—	4,650	579	2,270	4,650	—	6,920
Copper Trail Fund Investments	LP Interests (CTMH, LP)	(9)	—	—	5	872	—	—	872
Datacom, LLC	8.00% Secured Debt	(8)	—	(75)	—	1,690	—	75	1,615
	10.50% PIK Secured Debt	(8)	—	361	—	9,786	361	5	10,142
	Class A Preferred Member Units	(8)	—	—	—	—	—	—	—
	Class B Preferred Member Units	(8)	—	—	—	—	—	—	—
Digital Products Holdings LLC	LIBOR Plus 10.00% (Floor 1.00%)	(5)	—	(1,025)	2,944	25,511	87	7,146	18,452
	Preferred Member Units	(5)	—	(4,327)	200	8,466	1,035	4,327	5,174
Garreco, LLC	LIBOR Plus 8.00% (Floor 1.00%, Ceiling 1.50%)	(8)	—	—	472	5,099	18	602	4,515
	Member Units	(8)	—	(30)	—	2,590	—	30	2,560
Gulf Manufacturing, LLC	Member Units	(8)	—	(4,260)	671	11,690	—	4,260	7,430
Gulf Publishing Holdings, LLC	LIBOR Plus 9.50% (Floor 1.00%)	(8)	—	—	25	—	320	40	280
	12.5% Secured Debt	(8)	—	—	1,619	12,594	28	129	12,493
	Member Units	(8)	—	(1,700)	—	4,120	—	1,700	2,420
Harris Preston Fund Investments	LP Interests (2717 MH, L.P.)	(8)	—	329	—	1,133	2,524	500	3,157
Harrison Hydra-Gen, Ltd.	Common Stock	(8)	—	(100)	247	8,070	—	100	7,970
KBK Industries, LLC	Member Units	(5)	—	6,860	1,923	8,610	6,860	—	15,470
J&J Services, Inc.	11.50% Secured Debt	(7)	—	—	531	—	17,430	—	17,430
	Preferred Stock	(7)	—	—	—	—	7,160	—	7,160
NAPCO Precast, LLC	LIBOR Plus 8.50%	(8)	—	(11)	123	11,475	11	11,486	—
	Member Units	(8)	—	770	3,063	13,990	770	—	14,760

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31,	Gross		December 31,
						2018	Additions(3)	Reductions(4)	2019
						Fair Value			Fair Value
NexRev LLC	11% Secured Debt	(8)	—	—	1,956	17,288	835	654	17,469
	Preferred Member Units	(8)	—	(1,580)	195	7,890	—	1,580	6,310
NRI Clinical Research, LLC	LIBOR Plus 6.50% (Floor 1.50%)	(9)	—	—	11	—	200	200	—
	14% Secured Debt	(9)	—	(44)	971	6,685	44	748	5,981
	Warrants	(9)	—	570	—	660	570	—	1,230
	Member Units	(9)	—	2,510	32	2,478	2,510	—	4,988
NRP Jones, LLC	12% Secured Debt	(5)	—	—	776	6,376	—	—	6,376
	Member Units	(5)	—	(1,250)	323	5,960	—	1,250	4,710
NuStep, LLC	12% Secured Debt	(5)	—	—	2,556	20,458	44	799	19,703
	Preferred Member Units	(5)	—	—	—	10,200	—	—	10,200
OMI Holdings, Inc.	Common Stock	(8)	—	930	1,920	16,020	930	—	16,950
Pegasus Research Group, LLC	Member Units	(8)	—	490	—	7,680	490	—	8,170
River Aggregates, LLC	Zero Coupon Secured Debt	(8)	—	—	—	722	—	—	722
	Member Units	(8)	—	380	—	4,610	380	—	4,990
	Member Units	(8)	—	239	—	2,930	239	—	3,169
Tedder Industries, LLC	12%, Secured Debt	(9)	—	—	69	480	1,200	1,040	640
	12%, Secured Debt	(9)	—	—	2,021	16,246	26	—	16,272
	Preferred Member Units	(9)	—	—	—	7,476	660	—	8,136
Other									
Amounts related to investments transferred to or from other 1940 Act classification during the period									
			(187)	260	(133)	5,809	—	—	—
Total Control investments			4,797	(980)	92,414	1,004,993	219,523	185,986	1,032,721
Affiliate Investments									
AFG Capital Group, LLC	Warrants	(8)	781	(691)	—	950	—	950	—
	10% Secured Debt	(8)	—	—	66	—	1,040	202	838
	Preferred Member Units	(8)	—	1,200	(40)	3,980	1,200	—	5,180
American Trailer Rental Group LLC	LIBOR Plus 7.25% (Floor 1.00%)	(5)	—	—	—	—	—	—	—
	Member Units	(5)	—	182	2,655	20,312	8,729	1,954	27,087
	Member Units	(5)	—	2,760	—	5,780	2,760	—	8,540
BBB Tank Services, LLC	LIBOR Plus 11% (Floor 1.00%)	(8)	—	—	680	3,833	865	—	4,698
	Preferred Member Units	(8)	—	—	18	113	18	—	131
	Member Units	(8)	—	60	—	230	60	—	290
Bocella Precast Products LLC	LIBOR Plus 12% (Floor 1.00%)	(6)	—	(75)	2,187	15,724	475	2,955	13,244
	Member Units	(6)	—	1,094	236	5,080	1,190	—	6,270
Boss Industries, LLC	Preferred Member Units	(5)	3,771	(3,930)	611	6,176	—	6,176	—
Buca C, LLC	LIBOR Plus 9.25% (Floor 1.00%)	(7)	—	(187)	2,260	19,038	43	287	18,794
	Preferred Member Units	(7)	—	—	270	4,431	270	—	4,701
CAI Software LLC	11% Secured Debt	(6)	—	(34)	1,239	10,880	34	1,754	9,160
	Member Units	(6)	—	2,493	31	2,717	2,493	—	5,210
Chandler Signs Holdings, LLC	12% Secured Debt	(8)	—	(24)	581	4,546	47	4,593	—
	Class A Units	(8)	—	620	39	2,120	620	—	2,740
Charlotte Russe, Inc	8.50% Secured Debt	(9)	(7,012)	4,003	—	3,930	4,003	7,933	—
	Common Stock	(9)	—	—	—	—	—	—	—
Condit Exhibits, LLC	Member Units	(9)	1,850	(1,850)	132	1,950	—	1,950	—
Congruent Credit Opportunities Funds	LP Interests (Fund II)	(8)	—	—	—	855	—	—	855
	LP Interests (Fund III)	(8)	—	(195)	1,447	17,468	—	3,553	13,915
Copper Trail Fund Investments	LP Interests (Copper Trail Energy Fund I, LP)	(9)	37	(310)	583	4,170	—	1,808	2,362
Dos Rios Partners	LP Interests (Dos Rios Partners, LP)	(8)	—	(122)	—	7,153	—	120	7,033
	LP Interests (Dos Rios Partners - A, LP)	(8)	—	(38)	—	2,271	—	38	2,233
East Teak Fine Hardwoods, Inc.	Common Stock	(7)	—	(160)	16	560	—	160	400
EIG Fund Investments	LP Interests (EIG Global Private Debt fund-A, L.P.)	(8)	8	—	137	505	283	68	720
Freeport Financial Funds	LP Interests (Freeport Financial SBIC Fund LP)	(5)	—	379	—	5,399	379	—	5,778
	LP Interests (Freeport First Lien Loan Fund III LP)	(5)	—	(84)	1,059	10,980	799	2,083	9,696
Fuse, LLC	12% Secured Debt	(9)	—	—	119	—	1,939	—	1,939
	Common Stock	(9)	—	—	—	—	256	—	256
Harris Preston Fund Investments	LP Interests (HPEP 3, L.P.)	(8)	—	—	—	1,733	741	—	2,474
Hawk Ridge Systems, LLC	LIBOR Plus 6.00% (Floor 1.00%)	(9)	—	—	26	—	600	—	600
	11.0% Secured Debt	(9)	—	(34)	1,460	14,300	34	934	13,400
	Preferred Member Units	(9)	—	640	375	7,260	640	—	7,900
	Preferred Member Units	(9)	—	40	—	380	40	—	420
Houston Plating and Coatings, LLC	8% Unsecured Convertible Debt	(8)	—	540	243	3,720	540	—	4,260
	Member Units	(8)	—	1,884	544	8,330	2,000	—	10,330
I-45 SLF LLC	Member Units	(8)	—	(2,020)	3,204	15,627	800	2,020	14,407

Company	Investment(1)(10)(11)	Geography	Amount of Realized Gain/(Loss)	Amount of Unrealized Gain/(Loss)	Amount of Interest, Fees or Dividends Credited to Income(2)	December 31, 2018 Fair Value	Gross Additions(3)	Gross Reductions(4)	December 31, 2019 Fair Value
L.F. Manufacturing Holdings, LLC	Preferred Member Units	(8)	—	—	11	—	81	—	81
	Member Units	(8)	—	(10)	—	2,060	—	10	2,050
OnAsset Intelligence, Inc.	12% PIK Secured Debt	(8)	—	—	731	5,743	731	—	6,474
	10% PIK Secured Debt	(8)	—	—	5	53	5	—	58
	Preferred Stock	(8)	—	—	—	—	—	—	—
	Warrants	(8)	—	—	—	—	—	—	—
PCI Holding Company, Inc.	12% Current Secured Debt	(9)	—	—	1,488	11,908	98	650	11,356
	Preferred Stock	(9)	—	2,340	—	340	2,340	—	2,680
	Preferred Stock	(9)	—	870	—	3,480	870	—	4,350
Rocaccia, LLC (Quality Lease and Rental Holdings, LLC)	12% Secured Debt	(8)	—	165	—	250	165	415	—
	Preferred Member Units	(8)	—	—	—	—	—	—	—
Salado Stone Holdings, LLC	Class A Preferred Units	(8)	—	(470)	—	1,040	—	470	570
SI East, LLC	9.50% Current, Secured Debt	(7)	—	275	3,648	34,885	365	2,287	32,963
	Preferred Member Units	(7)	—	2,200	460	6,000	2,200	—	8,200
Slick Innovations, LLC	14% Current, Secured Debt	(6)	—	—	983	6,959	679	1,441	6,197
	Warrants	(6)	—	109	—	181	109	—	290
	Common Stock	(6)	—	380	1,048	700	380	—	1,080
UniTek Global Services, Inc.	LIBOR Plus 6.50% (Floor 1.00%)	(6)	—	22	260	2,969	23	30	2,962
	Preferred Stock	(6)	—	(5,240)	511	7,413	511	5,240	2,684
	Preferred Stock	(6)	—	306	339	1,637	645	—	2,282
	Preferred Stock	(6)	—	1,080	53	—	1,889	—	1,889
	Preferred Stock	(6)	—	—	629	3,038	629	—	3,667
	Common Stock	(6)	—	(1,420)	—	1,420	—	1,420	—
Universal Wellhead Services Holdings, LLC	Preferred Member Units	(8)	—	(345)	195	950	195	345	800
	Member Units	(8)	—	(2,330)	—	2,330	—	2,330	—
Volution, LLC	11.50% Secured Debt	(8)	—	(810)	3,132	18,407	1,755	810	19,352
	8% Unsecured Convertible Debt	(8)	—	(118)	31	297	112	118	291
	Preferred Member Units	(8)	—	—	—	14,000	—	—	14,000
	Warrants	(8)	—	(1,740)	—	1,890	—	1,740	150
Other									
Amounts related to investments transferred to or from other 1940 Act classification during the period									
			—	(415)	1,030	19,439	—	—	—
Total Affiliate investments			(565)	990	34,732	359,890	46,680	56,844	330,287

- (1) The principal amount, the ownership detail for equity investments and if the investment is income producing is included in the consolidated schedule of investments.
- (2) Represents the total amount of interest, fees and dividends credited to income for the portion of the period for which an investment was included in Control or Affiliate categories, respectively. For investments transferred between Control and Affiliate categories during the period, any income or investment balances related to the time period it was in the category other than the one shown at period end is included in "Amounts from investments transferred from other 1940 Act classifications during the period."
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in net unrealized depreciation as well as the movement of an existing portfolio company into this category and out of a different category.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in net unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.
- (5) Portfolio company located in the Midwest region as determined by location of the corporate headquarters. The fair value as of December 31, 2019 for control investments located in this region was \$245,549. This represented 16.0% of net assets as of December 31, 2019. The fair value as of December 31, 2019 for affiliate investments located in this region was \$51,101. This represented 3.3% of net assets as of December 31, 2019.

- (6) Portfolio company located in the Northeast region as determined by location of the corporate headquarters. The fair value as of December 31, 2019 for control investments located in this region was \$27,956. This represented 1.8% of net assets as of December 31, 2019. The fair value as of December 31, 2019 for affiliate investments located in this region was \$54,935. This represented 3.6% of net assets as of December 31, 2019.
- (7) Portfolio company located in the Southeast region as determined by location of the corporate headquarters. The fair value as of December 31, 2019 for control investments located in this region was \$52,200. This represented 3.4% of net assets as of December 31, 2019. The fair value as of December 31, 2019 for affiliate investments located in this region was \$65,058. This represented 4.2% of net assets as of December 31, 2019.
- (8) Portfolio company located in the Southwest region as determined by location of the corporate headquarters. The fair value as of December 31, 2019 for control investments located in this region was \$415,344. This represented 27.0% of net assets as of December 31, 2019. The fair value as of December 31, 2019 for affiliate investments located in this region was \$113,930. This represented 7.4% of net assets as of December 31, 2019.
- (9) Portfolio company located in the West region as determined by location of the corporate headquarters. The fair value as of December 31, 2019 for control investments located in this region was \$291,672. This represented 19.0% of net assets as of December 31, 2019. The fair value as of December 31, 2019 for affiliate investments located in this region was \$45,263. This represented 2.9% of net assets as of December 31, 2019.
- (10) All of the Company's portfolio investments are generally subject to restrictions on resale as "restricted securities," unless otherwise noted.
- (11) This schedule should be read in conjunction with the consolidated schedule of investments and notes to the consolidated financial statements. Supplemental information can be located within the schedule of investments including end of period interest rate, preferred dividend rate, maturity date, investments not paid currently in cash and investments whose value was determined using significant unobservable inputs.
- (12) Investment has an unfunded commitment as of December 31, 2019 (see Note K). The fair value of the investment includes the impact of the fair value of any unfunded commitments.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this annual report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, President, Chief Financial Officer, Chief Compliance Officer and Chief Accounting Officer, of our disclosure controls and procedures (as defined in Rule 13a-15 of the Exchange Act). Based on that evaluation, our Chief Executive Officer, President, Chief Financial Officer, Chief Compliance Officer and 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 Exchange Act.

(b) *Management's Report on Internal Control Over Financial Reporting.* The management of Main Street Capital Corporation and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Company's evaluation under the framework in Internal Control — Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020. Grant Thornton LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, as stated in its report which is included herein.

(c) *Attestation Report of the Registered Public Accounting Firm.* Our independent registered public accounting firm, Grant Thornton LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting, which is set forth above under the heading "Reports of Independent Registered Public Accounting Firm" in Item 8. "Consolidated Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(d) *Changes in Internal Control over Financial Reporting.* There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Director Departure and Reduction in Size of Board

On February 22, 2021, Ms. Valerie Banner informed our Board of Directors that after four years of excellent service to our Board, she has decided not stand for re-election to the Board of Directors at the end of her current term on the date of our 2021 annual meeting of stockholders. Ms. Banner's decision not to stand for re-election was not the result of any disagreement with management or the Board of Directors. In connection with Ms. Banner's departure, the Board of Directors passed a resolution reducing the number of directors that constitutes the full Board of Directors from ten to nine directors, effective as of the date of our 2021 annual meeting of stockholders.

Fees and Expenses

The following table is being provided to update, as of December 31, 2020, certain information in the Company's effective shelf registration statement on Form N-2 (File No. 333-231146) filed with the SEC on April 30, 2019 as supplemented by the prospectus supplements relating to our ATM Program and to the direct stock purchase feature of the Plan. The information is intended to assist you in understanding the costs and expenses that an investor in the Company will bear directly or indirectly. We caution you that some of the percentages indicated in the table below

are estimates and may vary. Except where the context suggests otherwise, whenever this Annual Report on Form 10-K contains a reference to fees or expenses paid by “you,” “us” or “Main Street,” or that “we” will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in us.

Stockholder Transaction Expenses:

Sales load (as a percentage of offering price)	—	%(1)
Offering expenses (as a percentage of offering price)	—	%(2)
Dividend reinvestment and direct stock purchase plan expenses	—	%(3)
Total stockholder transaction expenses (as a percentage of offering price)	—	%(4)

Annual Expenses of the Company (as a percentage of net assets attributable to common stock):

Operating expenses	2.81	%(5)
Interest payments on borrowed funds	3.43	%(6)
Income tax expense	—	%(7)
Acquired fund fees and expenses	0.30	%(8)
Total annual expenses	6.54	%

- (1) The maximum agent commission with respect to the shares of our common stock sold by us in the ATM Program is 1.00%. Purchasers of shares of common stock through the direct stock purchase feature of the Plan will not pay any sales load. In the event that our securities are sold to or through underwriters, a corresponding prospectus or prospectus supplement will disclose the applicable sales load.
- (2) Estimated offering expenses payable by us for the estimated duration of the ATM Program are approximately \$0.6 million. In the event that we conduct an offering of our securities, a corresponding prospectus or prospectus supplement will disclose the estimated offering expenses.
- (3) The expenses of administering the Plan are included in operating expenses. Additional costs may be charged to participants in the direct stock purchase feature of the plan for certain types of transactions.
- (4) Total stockholder transaction expenses may include sales load and will be disclosed in a future prospectus or prospectus supplement, if any.
- (5) Operating expenses in this table represent our estimated expenses.
- (6) Interest payments on borrowed funds represent our estimated annual interest payments on borrowed funds based on current debt levels as adjusted for projected increases (but not decreases) in debt levels over the next twelve months.
- (7) Income tax expense relates to the accrual of (a) deferred tax provision (benefit) primarily related to loss carryforwards, timing differences in net unrealized appreciation or depreciation and other temporary book-tax differences from our portfolio investments held in Taxable Subsidiaries and (b) excise, state and other taxes. Deferred taxes are non-cash in nature and may vary significantly from period to period. We are required to include deferred taxes in calculating our annual expenses even though deferred taxes are not currently payable or receivable. Due to the variable nature of deferred tax expense, which can be a large portion of the income tax expense, and the difficulty in providing an estimate for future periods, this income tax expense estimate is based upon the actual amount of income tax expense for the year ended December 31, 2020.
- (8) Acquired fund fees and expenses represent the estimated indirect expense incurred due to investments in other investment companies and private funds.

Example

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

expenses would remain at the levels set forth in the table above and that you would pay either no sales load or a sales load of up to 1.00% (the commission to be paid by us with respect to common stock sold by us in the ATM Program).

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return and no sales load	\$ 65	\$ 192	\$ 315	\$ 606
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return and a 1.00% sales load	\$ 75	\$ 202	\$ 325	\$ 616

The example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. In addition, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by (i) the market price per share of our common stock at the close of trading on a valuation date determined by our Board of Directors for each dividend in the event that we use newly issued shares to satisfy the share requirements of the dividend reinvestment plan or (ii) the average purchase price of all shares of common stock purchased by the plan administrator in the event that shares are purchased in the open market to satisfy the share requirements of the dividend reinvestment plan, which may be at, above or below net asset value. See the description in “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Common Stock and Holders” for additional information regarding our dividend reinvestment plan.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be contained in the definitive proxy statement relating to our 2021 annual meeting of stockholders (the “Proxy Statement”) under the headings “Election of Directors,” “Corporate Governance” and “Executive Officers” to be filed with the Securities and Exchange Commission on or prior to April 30, 2021, and is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to directors, officers and employees of Main Street. This code of ethics is published on our Web site at www.mainstcapital.com. We intend to disclose any substantive amendments to, or waivers from, this code of conduct within four business days of the waiver or amendment through a Web site posting.

Item 11. Executive Compensation

The information required by this Item will be contained in the Proxy Statement under the headings “Compensation of Executive Officers,” “Compensation of Directors,” “Compensation Discussion and Analysis,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report,” to be filed with the Securities and Exchange Commission on or prior to April 30, 2021, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information regarding our equity compensation plans as of December 31, 2020:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column)</u>
Equity compensation plans approved by security holders(1)	\$ —	\$ —	\$ 1,773,325
Equity compensation plans not approved by security holders(2)	160,352	—	—
Total	\$ 160,352	\$ —	\$ 1,773,325

- (1) Consists of our Main Street Capital Corporation 2015 Equity and Incentive Plan and our Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan. As of December 31, 2020, we had issued 1,572,612 shares of restricted stock pursuant to these plans, of which 836,131 had vested and 45,631 shares were forfeited. Pursuant to each of these plans, if any award issued thereunder shall for any reason expire or otherwise terminate or be forfeited, in whole or in part, the shares of stock not acquired under such award shall revert to and again become available for issuance under such plan. For more information regarding these plans, see “Note J — Share-Based Compensation” in the notes to the consolidated financial statements.
- (2) Consists of our 2015 Deferred Compensation Plan. For more information regarding this plan, see “Note M — Related Party Transactions” in the notes to the consolidated financial statements.

The other information required by this Item will be contained in the Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management,” to be filed with the Securities and Exchange Commission on or prior to April 30, 2021, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be contained in the Proxy Statement under the headings “Certain Relationships and Related Party Transactions” and “Corporate Governance,” to be filed with the Securities and Exchange Commission on or prior to April 30, 2021, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be contained in the Proxy Statement under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm for Year Ending December 31, 2021,” to be filed with the Securities and Exchange Commission on or prior to April 30, 2021, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

The following documents are filed or incorporated by reference as part of this Annual Report:

1. Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm	77
Consolidated Balance Sheets—As of December 31, 2020 and December 31, 2019	82
Consolidated Statements of Operations—For the years ended December 31, 2020, 2019 and 2018	83
Consolidated Statements of Changes in Net Assets—For the years ended December 31, 2020, 2019 and 2018	84
Consolidated Statements of Cash Flows—For the years ended December 31, 2020, 2019 and 2018	85
Consolidated Schedule of Investments—December 31, 2020	86
Consolidated Schedule of Investments—December 31, 2019	108
Notes to Consolidated Financial Statements	129

2. Consolidated Financial Statement Schedule

Report of Independent Registered Public Accounting Firm	168
Schedule of Investments in and Advances to Affiliates for the Years Ended December 31, 2020 and 2019	169

3. 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):

Exhibit Number	Description
3.1*	Articles of Amendment and Restatement of Main Street Capital Corporation (previously filed as Exhibit (a) to Main Street Capital Corporation’s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
3.2*	Amended and Restated Bylaws of Main Street Capital Corporation (previously filed as Exhibit 3.1 to Main Street Capital Corporation’s Current Report on Form 8-K filed on March 6, 2013 (File No. 1-33723))
4.1*	Form of Common Stock Certificate (previously filed as Exhibit (d) to Main Street Capital Corporation’s Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on August 15, 2007 (Reg. No. 333-142879))
4.2*	Dividend Reinvestment and Direct Stock Purchase Plan, effective May 10, 2019 (previously filed as Exhibit 99.1 to Main Street Capital Corporation’s Current Report on Form 8-K filed on May 10, 2019 (File No. 1-33723))
4.3*	Main Street Mezzanine Fund, LP SBIC debentures guaranteed by the SBA (previously filed as Exhibit (f)(1) to Main Street Capital Corporation’s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 (Reg. No. 333-142879))
4.4*	Main Street Capital II, LP SBIC debentures guaranteed by the SBA (see Exhibit (f)(1) to Main Street Capital Corporation’s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 for a substantially identical copy of the form of debentures)
4.5*	Main Street Capital III, LP SBIC debentures guaranteed by the SBA (see Exhibit (f)(1) to Main Street Capital Corporation’s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on June 22, 2007 for a substantially identical copy of the form of debentures)

Exhibit Number	Description
4.6*	Form of Indenture between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(6) to Main Street Capital Corporation's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on March 28, 2013 (Reg. No. 333-183555))
4.7*	Form of Third Supplemental Indenture relating to the 4.50% Notes due 2022, between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(12) to Main Street Capital Corporation's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2 filed on November 17, 2017 (Reg. No. 333-203147))
4.8*	Form of 4.50% Notes due 2022 (incorporated by reference to Exhibit 4.7)
4.9*	Form of Fourth Supplemental Indenture relating to the 5.20% Notes due 2024, between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A. (previously filed as Exhibit (d)(11) to Main Street Capital Corporation's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 filed on April 18, 2019 (Reg. No. 333-223483))
4.10*	Form of 5.20% Notes due 2024 (incorporated by reference to Exhibit 4.9)
4.11*	Fifth Supplemental Indenture relating to the 3.00% Notes due 2026, between Main Street Capital Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (previously filed as Exhibit 4.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on January 14, 2021 (File No. 1-33723))
4.12*	Form of 3.00% Notes due 2026 (incorporated by reference to Exhibit 4.11)
4.13*	Description of Main Street Capital Corporation's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (previously filed as Exhibit 4.11 to Main Street Capital Corporation's Annual Report on Form 10-K filed on February 28, 2020 (File No. 1-33723))
10.1*	Third Amended and Restated Credit Agreement dated June 5, 2018 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on June 6, 2018 (File No. 1-33723))
10.2*	Third Amended and Restated General Security Agreement dated June 5, 2018 (previously filed as Exhibit 10.2 to Main Street Capital Corporation's Current Report on Form 8-K filed on June 6, 2018 (File No. 1-33723))
10.3*	Third Amended and Restated Equity Pledge Agreement dated June 5, 2018 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed on June 6, 2018 (File No. 1-33723))
10.4*	Amended and Restated Custodial Agreement dated September 20, 2010 (previously filed as Exhibit 10.3 to Main Street Capital Corporation's Current Report on Form 8-K filed September 21, 2010 (File No. 1-33723))
10.5*	Third Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Custodial Agreement dated November 21, 2011 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed November 22, 2011 (File No. 1-33723))
10.6*	Supplement Agreement dated July 19, 2018 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on July 20, 2018 (File No. 1-33723))
10.7*	Supplement Agreement dated November 15, 2018 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on November 15, 2018 (File No. 1-33723))
10.8*	Supplement Agreement dated March 23, 2020 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Current Report on Form 8-K filed on March 24, 2020 (File No. 1-33723))
10.9*	First Amendment to Third Amended and Restated Credit Agreement dated May 28, 2020 (previously filed as Exhibit 10.1 to Main Street Capital Corporation's Quarterly Report on Form 10-Q filed on August 7, 2020 (File No. 1-33723))
10.10*	Supplement Agreement dated November 4, 2020 (previously filed as Exhibit 10.2 to Main Street Capital Corporation's Quarterly Report on Form 10-Q filed on November 6, 2020 (File No. 1-33723))

Exhibit Number	Description
10.11*†	Main Street Capital Corporation 2015 Equity and Incentive Plan (previously filed as Exhibit 4.4 to Main Street Capital Corporation’s Registration Statement on Form S-8 filed on May 5, 2015 (Reg. No. 333-203893))
10.12*†	Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan (previously filed as Exhibit 4.5 to Main Street Capital Corporation’s Registration Statement on Form S-8 filed on May 5, 2015 (Reg. No. 333-203893))
10.13*†	Form of Restricted Stock Agreement for Executive Officers — Main Street Capital Corporation 2015 Equity and Incentive Plan (previously filed as Exhibit 4.6 to Main Street Capital Corporation’s Registration Statement on Form S-8 filed on May 5, 2015 (Reg. No. 333-203893))
10.14*†	Form of Restricted Stock Agreement for Non-Employee Directors — Main Street Capital Corporation 2015 Non-Employee Director Restricted Stock Plan (previously filed as Exhibit 4.7 to Main Street Capital Corporation’s Registration Statement on Form S-8 filed on May 5, 2015 (Reg. No. 333-203893))
10.15*	Custodian Agreement (previously filed as Exhibit (j) to Main Street Capital Corporation’s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.16*†	Form of Confidentiality and Non-Compete Agreement by and between Main Street Capital Corporation and Vincent D. Foster (previously filed as Exhibit (k)(12) to Main Street Capital Corporation’s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.17*†	Form of Indemnification Agreement by and between Main Street Capital Corporation and each executive officer and director (previously filed as Exhibit (k)(13) to Main Street Capital Corporation’s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on September 21, 2007 (Reg. No. 333-142879))
10.18*	Investment Advisory and Administrative Services Agreement dated October 30, 2020 by and among MSC Adviser I, LLC and MSC Income Fund, Inc. (previously filed as Exhibit 10.1 to Main Street Capital Corporation’s Current Report on Form 8-K filed on November 3, 2020 (File No. 1-33723))
10.19*†	Main Street Capital Corporation Deferred Compensation Plan Adoption Agreement and Plan Document (previously filed as Exhibit 4.1 to Main Street Capital Corporation’s Registration Statement on Form S-8 filed on December 18, 2015 (File No. 333-208643))
10.20*	Form of Equity Distribution Agreement dated May 16, 2019 (previously filed as Exhibit 1.1 to Main Street Capital Corporation’s Current Report on Form 8-K filed on May 16, 2019 (File No. 1-33723))
14.1**	Joint Code of Business Conduct and Ethics
21.1**	List of Subsidiaries
23.1**	Consent of Grant Thornton LLP, independent registered public accounting firm
31.1**	Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer
31.2**	Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer
32.1**	Section 1350 certification of Chief Executive Officer
32.2**	Section 1350 certification of Chief Financial Officer

* Exhibit previously filed with the Securities and Exchange Commission, as indicated, and incorporated herein by reference.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ DWAYNE L. HYZAK
Dwayne L. Hyzak
Chief Executive Officer and Director

Date: February 26, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DWAYNE L. HYZAK</u> Dwayne L. Hyzak	Chief Executive Officer and Director (principal executive officer)	February 26, 2021
<u>/s/ VINCENT D. FOSTER</u> Vincent D. Foster	Executive Chairman of the Board of Directors	February 26, 2021
<u>/s/ BRENT D. SMITH</u> Brent D. Smith	Chief Financial Officer and Treasurer (principal financial officer)	February 26, 2021
<u>/s/ LANCE A. PARKER</u> Lance A. Parker	Vice President, Chief Accounting Officer (principal accounting officer)	February 26, 2021
<u>/s/ VALERIE L. BANNER</u> Valerie L. Banner	Director	February 26, 2021
<u>/s/ ARTHUR L. FRENCH</u> Arthur L. French	Director	February 26, 2021
<u>/s/ J. KEVIN GRIFFIN</u> J. Kevin Griffin	Director	February 26, 2021
<u>/s/ JOHN E. JACKSON</u> John E. Jackson	Director	February 26, 2021
<u>/s/ BRIAN E. LANE</u> Brian E. Lane	Director	February 26, 2021
<u>/s/ KAY MATTHEWS</u> Kay Matthews	Director	February 26, 2021

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DUNIA A. SHIVE</u> Dunia A. Shive	Director	February 26, 2021
<u>/s/ STEPHEN B. SOLCHER</u> Stephen B. Solcher	Director	February 26, 2021

MAIN STREET CAPITAL
CORPORATION

MSC INCOME FUND, INC.

MSC ADVISER I, LLC

JOINT CODE OF ETHICS

This Code of Ethics (the “*Code*”) has been adopted by the Board of Directors of each of Main Street Capital Corporation (“*Main Street*”) and MSC Income Fund, Inc. (“*MSIF*”) and, together with Main Street, the “*BDCs*”) in accordance with Rule 17j-1(c) under the Investment Company Act of 1940, as amended (the “*1940 Act*”), and the May 9, 1994 Report of the Advisory Group on Personal Investing by the Investment Company Institute (the “*Report*”). Rule 17j-1 generally describes fraudulent or manipulative practices with respect to purchases or sales of securities held or to be acquired by business development companies if effected by access persons of such companies.

In addition, this Code Ethics shall serve as the code of ethics required to be adopted by Rule 204A-1 under the Investment Advisers Act of 1940 (the “*Advisers Act*”) and, to the extent applicable, by Rule 17j-1 under the 1940 Act in connection with the provision of investment advisory services by Main Street and its wholly owned subsidiary MSC Advisor I, LLC (“*MSCA*”) and, together with the BDCs, the “*Company*”) to third parties (“*Clients*”). Rule 204A-1 requires every registered investment adviser to establish, maintain, and enforce a written investment adviser code of ethics that is applicable to its “supervised persons.” Section 202(a)(25) of the Advisers Act defines the term “supervised persons” to include all of the officers, directors, and employees of the investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser. As used herein, the term “employees” consists of all employees of Main Street and MSCA who, in the course of their business, act as an investment adviser as defined under the Advisers Act in providing investment advice to Clients and those employees that make, participate in or obtain non-public information regarding the portfolio management decisions relating to the investment advisory services.

The purpose of this Code of Ethics is to reflect the following: (1) the duty at all times to place the interests of shareholders and Clients, as appropriate, of the Company first; (2) the requirement that all personal securities transactions be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility; and (3) the fundamental standard that business development company and investment advisory personnel, as appropriate, should not take inappropriate advantage of their positions.

PART A. RULE 17j-1 OF THE 1940 ACT

SECTION I: STATEMENT OF PURPOSE AND APPLICABILITY

(A) Statement of Purpose

It shall be a violation of the policy of the Company for any affiliated person of the Company, in connection with the purchase or sale, directly or indirectly, by such person of any security held or to be acquired by the Company, to:

- (1) employ any device, scheme or artifice to defraud the Company;
- (2) make to the Company any untrue statement of a material fact or omit to state to the Company a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading;
- (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon the Company; or
- (4) engage in any manipulative practice with respect to the Company.

(B) Scope of the Code

In order to prevent the Access Persons, as defined in Section II, paragraph (A) below, of the Company from engaging in any of these prohibited acts, practices or courses of business, the Board of Directors of the Company has adopted this Code.

SECTION II: DEFINITIONS

- (A) Access Person. “**Access Person**” means any director, officer, or Advisory Person of the Company.
- (B) Advisory Person. “**Advisory Person**” of the Company means: (i) any employee of the Company or of any company in a control relationship to the Company, who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of a Covered Security by the Company, or whose functions relate to the making of any recommendations with respect to such purchases or sales; and (ii) any natural person in a control relationship to the Company who obtains information concerning recommendations made to the Company with regard to the purchase or sale of Covered Security.
- (C) Beneficial Interest. “**Beneficial Interest**” includes any entity, person, trust, or account with respect to which an Access Person exercises investment discretion or provides investment advice. A beneficial interest shall be presumed to include all accounts in the name of or for the benefit of the Access Person, his or her spouse, dependent children, or any person living with him or her or to whom he or she contributes economic support.
- (D) Beneficial Ownership. “**Beneficial Ownership**” shall be determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, except that the determination of direct or indirect Beneficial Ownership shall apply to all securities, and not just equity securities, that an Access Person has or acquires. Rule 16a-1(a)(2) provides that the term “beneficial owner” means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares a direct or indirect pecuniary interest in any equity security. Therefore, an Access Person may be deemed to have Beneficial Ownership of securities held by members of his or her immediate family sharing the same household, or by certain partnerships, trusts, corporations, or other arrangements.
- (E) Control. “**Control**” shall have the same meaning as that set forth in Section 2(a)(9) of the 1940 Act.
- (F) Covered Security. “**Covered Security**” means a security as defined in Section 2(a)(36) of the 1940 Act, except that it does not include (i) direct obligations of the Government of the United States; (ii) banker’s acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments including repurchase agreements; and (iii) shares issued by registered open-end investment companies (i.e., mutual funds); however, exchange traded funds structured as unit investment trusts or open-end funds are considered “Covered Securities”.
- (G) Designated Officer. “**Designated Officer**” shall mean the officer of the Company designated by the Board of Directors from time to time to be responsible for management of compliance with this Code, who shall initially be the Chief Compliance Officer of the Company until such time as the Board of Directors shall appoint a successor. The Designated Officer may appoint a designee to carry out certain of his or her functions pursuant to this Code.
- (H) Disinterested Director. “**Disinterested Director**” means a director of the Company who is not an “interested person” of the Company within the meaning of Section 2(a)(19) of the 1940 Act.
- (I) Initial Public Offering. “**Initial Public Offering**” means an offering of securities registered under the Securities Act of 1933, as amended (the “**Securities Act**”), the issuer of which, immediately before the

registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934.

- (J) Investment Personnel. “*Investment Personnel*” means: (i) any employee of the Company (or of any company in a control relationship to the Company) who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of securities by the Company; and (ii) any natural person who controls the Company and who obtains information concerning recommendations regarding the purchase or sale of securities by the Company.
- (K) Limited Offering. “*Limited Offering*” means an offering that is exempt from registration under the Securities Act pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, Rule 505 or Rule 506 under the Securities Act.
- (L) Purchase or Sale of a Covered Security. “*Purchase or Sale of a Covered Security*” is broad and includes, among other things, the writing of an option to purchase or sell a covered security, or the use of a derivative product to take a position in a Covered Security.

SECTION III: STANDARDS OF CONDUCT

- (A) General Standards
 - (1) No Access Person shall engage, directly or indirectly, in any business transaction or arrangement for personal profit that is inconsistent with the best interests of the Company or its shareholders; nor shall he or she make use of any confidential information gained by reason of his or her employment by or affiliation with the Company or affiliates thereof in order to derive a personal profit for himself or herself or for any Beneficial Interest, in violation of the fiduciary duty owed to the Company or its shareholders.
 - (2) Any Access Person recommending or authorizing the purchase or sale of a Covered Security by the Company shall, at the time of such recommendation or authorization, disclose any Beneficial Interest in, or Beneficial Ownership of, such Covered Security or the issuer thereof.
 - (3) No Access Person shall dispense any information concerning securities holdings or securities transactions of the Company to anyone outside the Company, without obtaining prior written approval from the Designated Officer, or such person or persons as these individuals may designate to act on their behalf. Notwithstanding the preceding sentence, such Access Person may dispense such information without obtaining prior written approval:
 - (a) when there is a public report containing the same information;
 - (b) when such information is dispensed in accordance with compliance procedures established to prevent conflicts of interest between the Company and its affiliates;
 - (c) when such information is reported to directors of the Company; or
 - (d) in the ordinary course of his or her duties on behalf of the Company.
 - (4) All personal securities transactions should be conducted consistent with this Code and in such a manner as to avoid actual or potential conflicts of interest, the appearance of a conflict of interest, or any abuse of an individual’s position of trust and responsibility within the Company.

(B) Prohibited Transactions

- (1) General Prohibition. No Access Person shall purchase or sell, directly or indirectly, any Covered Security in which he or she has, or by reason of such transaction acquires, any direct or indirect Beneficial Ownership and which such Access Person knows or should have known at the time of such purchase or sale is being considered for purchase or sale by the Company, or is held in the portfolio of the Company unless such Access Person shall have obtained prior written approval for such purpose from the Designated Officer.
 - (a) An Access Person who becomes aware that the Company is considering the purchase or sale of any Covered Security by any person (an issuer) must immediately notify the Designated Officer of any interest that such Access Person may have in any outstanding Covered Securities of that issuer.
 - (b) An Access Person shall similarly notify the Designated Officer of any other interest or connection that such Access Person might have in or with such issuer.
 - (c) Once an Access Person becomes aware that the Company is considering the purchase or sale of a Covered Security or that the Company holds a Covered Security in its portfolio, such Access Person may not engage, without prior approval of the Designated Officer, in any transaction in any Covered Securities of that issuer.
 - (d) The foregoing notifications or permission may be provided verbally, but should be confirmed in writing as soon and with as much detail as possible.
 - (2) Initial Public Offerings and Limited Offerings. Investment Personnel of the Company must obtain approval from the Company before directly or indirectly acquiring beneficial ownership in any securities in an Initial Public Offering or in a Limited Offering. For purposes of the pre-clearance requirements, transactions in digital assets and cryptocurrencies, such as Bitcoin and Ethereum, as well as other tokens or similar assets shall be treated as transactions in securities, thus requiring pre-clearance where such assets are acquired through a private placement or initial public offering regardless of whether such assets are deemed to be “securities” for purposes of the federal securities laws.
 - (3) Blackout Periods. No Investment Personnel shall execute a securities transaction in any security that the Company owns or is considering for purchase or sale.
 - (4) Company Acquisition of Shares in Companies that Investment Personnel Hold Through Limited Offerings. Investment Personnel who have been authorized to acquire securities in a Limited Offering must disclose that investment to the Designated Officer when they are involved in the Company’s subsequent consideration of an investment in the issuer, and the Company’s decision to purchase such securities must be independently reviewed by Investment Personnel with no personal interest in that issuer.
 - (5) Gifts and Entertainment. No Access Person may accept, directly or indirectly, any gift, favor, or service of more than a *de minimis* value from any person with whom he or she transacts business on behalf of the Company under circumstances when to do so would conflict with the Company’s best interests or would impair the ability of such person to be completely disinterested when required, in the course of business, to make judgments and/or recommendations on behalf of the Company. The foregoing restrictions do not apply to ordinary and usual business entertainment. For an item to be considered “business entertainment,” a representative of the vendor/host must be present at the event/meal and there must be an opportunity to discuss matters related to the Company or Client business. Questions regarding these restrictions should be directed to the Designated Officer.
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- (6) Service as Director. No Access Person shall serve on the board of directors of a portfolio company of the Company without prior written authorization of the Designated Officer based upon a determination that the board service would be consistent with the interests of the Company and its shareholders.

SECTION IV: PROCEDURES TO IMPLEMENT CODE OF ETHICS

The following reporting procedures have been established to assist Access Persons in avoiding a violation of this Code, and to assist the Company in preventing, detecting, and imposing sanctions for violations of this Code. Every Access Person must follow these procedures. Questions regarding these procedures should be directed to the Designated Officer.

(A) Applicability

All Access Persons are subject to the reporting requirements set forth in Section IV(B) except:

- (1) with respect to transactions effected for, and Covered Securities held in, any account over which the Access Person has no direct or indirect influence or control;
- (2) a Disinterested Director, who would be required to make a report solely by reason of being a Director, need not make: (1) an initial holdings or an annual holdings report; and (2) a quarterly transaction report, unless the Disinterested Director knew or, in the ordinary course of fulfilling his or her official duties as a Director, should have known that during the 15-day period immediately before or after such Disinterested Director's transaction in a Covered Security, the Company purchased or sold the Covered Security, or the Company considered purchasing or selling the Covered Security; and
- (3) an Access Person need not make a quarterly transaction report if the report would duplicate information contained in broker trade confirmations or account statements received by the Company with respect to the Access Person in the time required by subsection (B)(2) of this Section IV, if all of the information required by subsection (B)(2) of this Section IV is contained in the broker trade confirmations or account statements, or in the records of the Company, as specified in subsection (B)(4) of this Section IV.

(B) Report Types

- (1) Initial Holdings Report. An Access Person must file an initial report not later than 10 days after that person became an Access Person. The initial report must: (a) contain the title, number of shares and principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership when the person became an Access Person; (b) identify any broker, dealer or bank with whom the Access Person maintained an account in which any Covered Securities were held for the direct or indirect benefit of the Access Person as of the date the person became an Access Person; and (c) indicate the date that the report is filed with the Designated Person. A copy of a form of such report is attached hereto as Exhibit B.
- (2) Quarterly Transaction Report. An Access Person must file a quarterly transaction report not later than 30 days after the end of a calendar quarter.
 - (a) With respect to any transaction made during the reporting quarter in a Covered Security in which such Access Person had any direct or indirect beneficial ownership, the quarterly transaction report must contain: (i) the transaction date, title, interest date and maturity date (if applicable), the number of shares and the principal amount of each Covered Security; (ii) the nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition); (iii) the price of the Covered Security at which

the transaction was effected; (iv) the name of the broker, dealer or bank through which the transaction was effected; and (v) the date that the report is submitted by the Access Person. A copy of a form of such report is attached hereto as Exhibit C.

- (b) With respect to any account established by the Access Person in which any securities were held during the quarter for the direct or indirect benefit of the Access Person, the quarterly transaction report must contain: (i) the name of the broker, dealer or bank with whom the Access Person established the account; (ii) the date the account was established; and (iii) the date that the report is submitted by the Access Person. A copy of a form of such report is attached hereto as Exhibit E unless provided under C.
- (3) Annual Holdings Report. An Access Person must file an annual holdings report not later than 30 days after the end of a fiscal year. The annual report must contain the following information (which information must be current as of a date no more than 30 days before the report is submitted): (a) the title, number of shares, and principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership; (b) the name of any broker, dealer or bank in which any Covered Securities are held for the direct or indirect benefit of the Access Person; and (c) the date the report is submitted. A copy of a form of such report is attached hereto as Exhibit D.
- (4) Account Statements. In lieu of providing a quarterly transaction report, an Access Person may direct his or her broker to provide to the Designated Officer copies of periodic statements for all investment accounts in which they have Beneficial Ownership that provide the information required in quarterly transaction reports, as set forth above.
- (5) Company Reports. No less frequently than annually, the Company must furnish to the Board, and the Board must consider, a written report that:
 - (a) describes any issues arising under the Code or procedures since the last report to the Board, including but not limited to, information about material violations of the code or procedures and sanctions imposed in response to the material violations; and
 - (b) certifies that the Company has adopted procedures reasonably necessary to prevent Access Persons from violating the Code.
- (C) Disclaimer of Beneficial Ownership. Any report required under this Section IV may contain a statement that the report shall not be construed as an admission by the person submitting such duplicate confirmation or account statement or making such report that he or she has any direct or indirect beneficial ownership in the Covered Security to which the report relates.
- (D) Review of Reports. The reports required to be submitted under this Section IV shall be delivered to the Designated Officer. The Designated Officer shall review such reports to determine whether any transactions recorded therein constitute a violation of the Code. Before making any determination that a violation has been committed by any Access Person, such Access Person shall be given an opportunity to supply additional explanatory material. The Designated Officer shall maintain copies of the reports as required by Rule 17j-1(f).
- (E) Acknowledgment and Certification. Upon becoming an Access Person and annually thereafter, all Access Persons shall sign an acknowledgment and certification of their receipt of and intent to comply with this Code in the form attached hereto as Exhibit A and return it to the Designated Officer. Each Access Person must also certify annually that he or she has read and understands the Code and recognizes that he or she is subject to the Code. In addition, each access person must certify annually that he or she has complied with the requirements of the Code and that he or she has disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code.

- (F) Records. The Company shall maintain records with respect to this Code in the manner and to the extent set forth below, which records may be maintained on microfilm or electronic storage media under the conditions described in Rule 31a-2(f) under the 1940 Act and shall be available for examination by representatives of the Securities and Exchange Commission (the “*SEC*”):
- (1) A copy of this Code and any other code of ethics of the Company that is, or at any time within the past five years has been, in effect shall be maintained in an easily accessible place;
 - (2) A record of any violation of this Code and of any action taken as a result of such violation shall be maintained in an easily accessible place for a period of not less than five years following the end of the fiscal year in which the violation occurs;
 - (3) A copy of each report made by an Access Person or duplicate account statement received pursuant to this Code, including any information provided in lieu of the reports under subsection (A)(3) of this Section IV shall be maintained for a period of not less than five years from the end of the fiscal year in which it is made or the information is provided, the first two years in an easily accessible place;
 - (4) A record of all persons who are, or within the past five years have been, required to make reports pursuant to this Code, or who are or were responsible for reviewing these reports, shall be maintained in an easily accessible place;
 - (5) A copy of each report required under subsection (B)(5) of this Section IV shall be maintained for at least five years after the end of the fiscal year in which it is made, the first two years in an easily accessible place; and
 - (6) A record of any decision, and the reasons supporting the decision, to approve the direct or indirect acquisition by an Access Person of beneficial ownership in any securities in an Initial Public Offering or Limited Offering shall be maintained for at least five years after the end of the fiscal year in which the approval is granted.
- (G) Obligation to Report a Violation. Every Access Person who becomes aware of a violation of this Code by any person must report it to the Designated Officer, who shall report it to appropriate management personnel. The management personnel will take such disciplinary action that they consider appropriate under the circumstances. In the case of officers or other employees of the Company, such action may include removal from office. If the management personnel consider disciplinary action against any person, they will cause notice thereof to be given to that person and provide to that person the opportunity to be heard. The Board will be notified, in a timely manner, of remedial action taken with respect to violations of the Code.
- (H) Confidentiality. All reports of Covered Securities transactions, duplicate confirmations, account statements and other information filed with the Company or furnished to any person pursuant to this Code shall be treated as confidential, but are subject to review as provided herein and by representatives of the SEC or otherwise to comply with applicable law or the order of a court of competent jurisdiction.

SECTION V: SANCTIONS

Upon determination that a violation of this Code has occurred, appropriate management personnel of the Company may impose such sanctions as they deem appropriate, including, among other things, disgorgement of profits, a letter of censure or suspension or termination of the employment of the violator. All violations of this Code and any sanctions imposed with respect thereto shall be reported in a timely manner to the Board of Directors of the Company.

PART B. RULE 204A-1 OF THE ADVISERS ACT/RULE 17j-1 OF THE 1940 ACT

For purposes of Rule 204A-1 of the Advisers Act and, to the extent applicable, Rule 17j-1 of the 1940 Act, the provisions set forth in Part A to this Code of Ethics shall apply in connection with the Company's provision of investment advisory services to Clients except that it shall be interpreted in a manner to protect the interests of Clients, including prohibiting supervised persons of the Company from: (i) employing any device, scheme or artifice to defraud the Client; (ii) making any untrue statement of a material fact to the Client or omitting to state a material fact necessary in order to make the statements made to the Client, in light of the circumstances under which they are made, not misleading; (iii) engaging in any act, practice or course of business conduct that operates or would operate as a fraud or deceit on the Client; and (iv) engaging in any manipulative practice with respect to the Client.

Notwithstanding the foregoing, the administrative provisions, enforcement provisions, approval (including pre-approval) provisions and recordkeeping provisions (which shall be read to refer to Rule 204-2 under the Advisers Act for purposes of this Part B) set forth in Part A of this Code of Ethics shall continue to be the exclusive/sole province of the Company for purposes of Part B of this Code of Ethics. For example, the initial, annual and quarterly holding report obligations set forth in Part A of this Code of Ethics shall be furnished by supervised persons of the Company to the Company (and not to the Client) for purposes of Part B to this Code of Ethics.

v.11.2020

EXHIBIT A
ACKNOWLEDGMENT AND CERTIFICATION

I acknowledge receipt of the Code of Ethics of Main Street Capital Corporation, MSC Adviser I, LLC and MSC Income Fund, Inc.. I have read and understand such Code of Ethics and agree to be governed by it at all times. Further, if I have been subject to the Code of Ethics during the preceding year, I certify that I have complied with the requirements of the Code of Ethics and have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code of Ethics.

(Signature)

(Please print name)

Date: _____

Date Received: _____

Reviewed By: _____
Date

Note – the form shown above is for illustrative purposes and is representative of the certification provided by employees of the Company using the Company’s compliance portal, MyComplianceOffice, accessible to employees of the Company. The form itself is not typically used in practice, but it would be an acceptable, temporary alternative if the compliance portal was not accessible.

EXHIBIT B
INITIAL HOLDINGS REPORT

Name _____

Date _____

<u>NAME OF ISSUER</u>	<u>NUMBER OF SHARES</u>	<u>PRINCIPAL AMOUNT</u>

I certify that the foregoing is a complete and accurate list of all securities in which I have any Beneficial Ownership.

(Signature)

Date Received: _____

Reviewed By: _____
Date

Note – the form shown above is for illustrative purposes and is representative of the report provided by employees of the Company using the Company’s compliance portal, MyComplianceOffice, accessible to employees of the Company. The form itself is not typically used in practice, but it would be an acceptable, temporary alternative if the compliance portal was not accessible.

**EXHIBIT C
QUARTERLY TRANSACTION REPORT**

Name _____

Date _____

<u>DATE</u>	<u>NAME OF ISSUER</u>	<u>NUMBER OF SHARES</u>	<u>INTEREST DATE</u>	<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>TYPE OF TRANSACTION</u>	<u>NAME OF BROKER/ DEALER/ BANK</u>

I certify that the foregoing is a complete and accurate list of all transactions for the covered period in securities in which I have any Beneficial Ownership.

(Signature)

Date Received: _____

Reviewed By: _____
Date

Note – the form shown above is for illustrative purposes and is representative of the report provided by employees of the Company using the Company’s compliance portal, MyComplianceOffice, accessible to employees of the Company. The form itself is not typically used in practice, but it would be an acceptable, temporary alternative if the compliance portal was not accessible.

EXHIBIT D
ANNUAL HOLDINGS REPORT

Name _____

Date _____

<u>NAME OF ISSUER</u>	<u>NUMBER OF SHARES</u>	<u>PRINCIPAL AMOUNT</u>	<u>NAME OF BROKER/DEALER/ BANK</u>

I certify that the foregoing is a complete and accurate list of all securities in which I have any Beneficial Ownership.

(Signature)

Date Received: _____

Reviewed By: _____
Date

Note – the form shown above is for illustrative purposes and is representative of the report provided by employees of the Company using the Company’s compliance portal, MyComplianceOffice, accessible to employees of the Company. The form itself is not typically used in practice, but it would be an acceptable, temporary alternative if the compliance portal was not accessible.

EXHIBIT E
PERSONAL SECURITIES ACCOUNT INFORMATION

Name _____

Date _____

<u>SECURITIES FIRM NAME AND ADDRESS</u>	<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME(S)</u>

I certify that the foregoing is a complete and accurate list of all securities accounts in which I have any Beneficial Ownership.

(Signature)

Date Received: _____

Reviewed By: _____
Date

Note – the form shown above is for illustrative purposes and is representative of the report provided by employees of the Company using the Company’s compliance portal, MyComplianceOffice, accessible to employees of the Company. The form itself is not typically used in practice, but it would be an acceptable, temporary alternative if the compliance portal was not accessible.

LIST OF SUBSIDIARIES

Main Street Capital Partners, LLC, a Delaware limited liability company
Main Street Mezzanine Management, LLC, a Delaware limited liability company
Main Street Equity Interests, Inc., a Delaware corporation
Main Street Mezzanine Fund, LP, a Delaware limited partnership
Main Street Capital II GP, LLC, a Delaware limited liability company
Main Street Capital II, LP, a Delaware limited partnership
Main Street Capital III GP, LLC, a Delaware limited liability company
Main Street Capital III, LP, a Delaware limited partnership
Main Street CA Lending, LLC, a Delaware limited liability company
MS Equity Holdings, Inc., a Delaware corporation
MS International Holdings, Inc., a Delaware corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 26, 2021, with respect to the consolidated financial statements, financial highlights, financial statement schedule and internal control over financial reporting included in the Annual Report of Main Street Capital Corporation on Form 10-K for the year ended December 31, 2020. We consent to the incorporation by reference of said reports in the Registration Statements of Main Street Capital Corporation on Form N-2 (File No. 333-231146) and Form S-8 (File Nos. 333-203893 and 333-208643).

/s/ GRANT THORNTON LLP

Houston, Texas
February 26, 2021

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED**

I, Dwayne L. Hyzak, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 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(s) 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(s) 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.

Date: February 26, 2021

By: /s/ Dwayne L. Hyzak
Dwayne L. Hyzak
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED**

I, Brent D. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 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(s) 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(s) 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.

Date: February 26, 2021

By: /s/ Brent D. Smith
Brent D. Smith
Chief Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Main Street Capital Corporation (the "Company") on Form 10-K for the year ended December 31, 2020 (the "Report"), I, Dwayne L. Hyzak, Chief Executive Officer of the Company, 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 Company.

Date: February 26, 2021

By: /s/ Dwayne L. Hyzak

Dwayne L. Hyzak
Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Main Street Capital Corporation (the "Company") on Form 10-K for the year ended December 31, 2020 (the "Report"), I, Brent D. Smith, Chief Financial Officer of the Company, 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 Company.

Date: February 26, 2021

By: /s/ Brent D. Smith

Brent D. Smith
Chief Financial Officer