

Main Street Capital CORP
Form 10-Q
August 07, 2009

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

(Mark One)

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

For the quarterly period ended June 30, 2009

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

41-2230745

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**1300 Post Oak Boulevard, Suite 800
Houston, TX**

77056

(Address of principal executive offices)

(Zip Code)

(713) 350-6000

(Registrant's telephone number including area code)

n/a

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

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

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

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

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

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

The number of shares outstanding of the issuer's common stock as of August 6, 2009 was 10,683,214.

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Consolidated Balance Sheets**

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Investments at fair value:		
Control investments (cost: \$60,258,932 and \$60,767,805 as of June 30, 2009 and December 31, 2008, respectively)	\$ 63,886,735	\$ 65,542,608
Affiliate investments (cost: \$38,181,968 and \$37,946,800 as of June 30, 2009 and December 31, 2008, respectively)	39,546,390	39,412,695
Non-Control/Non-Affiliate investments (cost: \$9,995,553 and \$6,245,405 as of June 30, 2009 and December 31, 2008, respectively)	8,920,606	5,375,886
Investment in affiliated Investment Manager (cost: \$18,000,000 as of June 30, 2009 and December 31, 2008)	16,730,944	16,675,626
Total investments (cost: \$126,436,453 and \$122,960,010 as of June 30, 2009 and December 31, 2008, respectively)	129,084,675	127,006,815
Idle funds investments (cost: \$15,783,358 and \$4,218,704 as of June 30, 2009 and December 31, 2008, respectively)	15,783,358	4,389,795
Cash and cash equivalents	34,412,887	35,374,826
Deferred tax asset	378,005	1,121,681
Other assets	1,589,782	1,100,922
Deferred financing costs (net of accumulated amortization of \$1,158,091 and \$956,037 as of June 30, 2009 and December 31, 2008, respectively)	1,543,607	1,635,238
Total assets	\$ 182,792,314	\$ 170,629,277
LIABILITIES		
SBIC debentures	\$ 55,000,000	\$ 55,000,000
Interest payable	1,110,068	1,108,193
Distribution payable	1,319,823	726,464
Accounts payable and other liabilities	781,738	1,438,564
Total liabilities	58,211,629	58,273,221
Commitments and contingencies		
NET ASSETS	 105,586	 92,065

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Common stock, \$0.01 par value per share (150,000,000 shares authorized; 10,558,632 and 9,206,483 issued and outstanding as of June 30, 2009 and December 31, 2008, respectively)

Additional paid-in capital	120,424,435		104,467,740
Undistributed net realized income	2,065,469		3,658,495
Net unrealized appreciation from investments, net of income taxes	1,985,195		4,137,756
Total net assets	124,580,685		112,356,056
Total liabilities and net assets	\$ 182,792,314	\$	170,629,277
NET ASSET VALUE PER SHARE	\$ 11.80	\$	12.20

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
INVESTMENT INCOME:				
Interest, fee and dividend income:				
Control investments	\$ 1,831,201	\$ 2,667,708	\$ 3,833,821	\$ 4,574,610
Affiliate investments	1,166,501	1,043,901	2,335,557	2,108,862
Non-Control/Non-Affiliate investments	258,218	313,548	396,173	899,190
Total interest, fee and dividend income	3,255,920	4,025,157	6,565,551	7,582,662
Interest from idle funds and other	344,150	151,754	626,944	621,615
Total investment income	3,600,070	4,176,911	7,192,495	8,204,277
EXPENSES:				
Interest	(941,577)	(921,206)	(1,872,912)	(1,803,842)
General and administrative	(430,114)	(450,960)	(744,787)	(865,061)
Expenses reimbursed to affiliated Investment Manager	(45,513)	(218,170)	(79,938)	(444,738)
Share-based compensation	(195,726)		(391,452)	
Total expenses	(1,612,930)	(1,590,336)	(3,089,089)	(3,113,641)
NET INVESTMENT INCOME	1,987,140	2,586,575	4,103,406	5,090,636
NET REALIZED GAIN FROM INVESTMENTS:				
Control investments	98,050		865,651	
Affiliate investments		99,154		710,404
Non-Control/Non-Affiliate investments	328,220		454,843	
Total net realized gain from investments	426,270	99,154	1,320,494	710,404
NET REALIZED INCOME	2,413,410	2,685,729	5,423,900	5,801,040
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) FROM INVESTMENTS:				
Control investments	1,363,329	(186,405)	(1,147,000)	884,704
Affiliate investments	671,018	(443,584)	(101,473)	(940,952)
Non-Control/Non-Affiliate investments	100,269	58,766	(376,519)	58,766
Investment in affiliated Investment Manager	(283,277)	(234,733)	55,318	(464,462)
Total net change in unrealized appreciation (depreciation) from investments	1,851,339	(805,956)	(1,569,674)	(461,944)

Income tax (provision) benefit	(525,612)	2,608,324	(582,887)	2,351,636
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,739,137	\$ 4,488,097	\$ 3,271,339	\$ 7,690,732
NET INVESTMENT INCOME PER SHARE BASIC AND DILUTED	\$ 0.21	\$ 0.29	\$ 0.44	\$ 0.57
NET REALIZED INCOME PER SHARE BASIC AND DILUTED	\$ 0.25	\$ 0.30	\$ 0.58	\$ 0.65
DIVIDENDS PAID PER SHARE	\$ 0.38	\$ 0.35	\$ 0.75	\$ 0.69
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER SHARE BASIC AND DILUTED	\$ 0.39	\$ 0.50	\$ 0.35	\$ 0.86
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED	9,520,314	8,959,718	9,323,968	8,959,718

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION
Consolidated Statements of Changes in Net Assets
(Unaudited)

	Common Stock		Additional	Undistributed	Net Unrealized Appreciation from	Total
	Number of Shares	Par Value	Paid-In Capital	Net Realized Income	Investments, Net of Income Taxes	Net Assets
Balances at December 31, 2007	8,959,718	\$ 89,597	\$ 104,076,033	\$ 6,067,131	\$ 4,916,447	\$ 115,149,208
Dividends to stockholders				(6,182,205)		(6,182,205)
Net increase resulting from operations				5,801,040	1,889,692	7,690,732
Balances at June 30, 2008	8,959,718	\$ 89,597	\$ 104,076,033	\$ 5,685,966	\$ 6,806,139	\$ 116,657,735
Balances at December 31, 2008	9,206,483	\$ 92,065	\$ 104,467,740	\$ 3,658,495	\$ 4,137,756	\$ 112,356,056
Dividend reinvestment	79,193	791	979,785			980,576
Public offering of common stock, net of offering costs	1,437,500	14,375	16,200,919			16,215,294
Share repurchase program	(164,544)	(1,645)	(1,615,461)			(1,617,106)
Share-based compensation			391,452			391,452
Dividends to stockholders				(7,016,926)		(7,016,926)
Net increase resulting from operations				5,423,900	(2,152,561)	3,271,339
Balances at June 30, 2009	10,558,632	\$ 105,586	\$ 120,424,435	\$ 2,065,469	\$ 1,985,195	\$ 124,580,685

The accompanying notes are an integral part of these financial statements

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MAIN STREET CAPITAL CORPORATION
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations:	\$ 3,271,339	\$ 7,690,732
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in unrealized depreciation from investments	1,569,674	461,944
Net realized gain from investments	(1,320,494)	(710,404)
Accretion of unearned income	(309,996)	(595,189)
Net payment-in-kind interest accrual	(291,475)	(223,439)
Share-based compensation expense	391,452	
Amortization of deferred financing costs	202,054	138,580
Deferred taxes	743,676	(2,544,270)
Changes in other assets and liabilities:		
Other assets	(527,092)	386,256
Interest payable	1,875	
Accounts payable and other liabilities	(786,933)	(259,446)
Deferred debt origination fees received	79,017	377,366
Net cash provided by operating activities	3,023,097	4,722,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in portfolio companies	(6,613,657)	(30,211,460)
Investments in idle funds	(31,842,149)	
Proceeds from idle funds investments	20,517,609	24,063,261
Principal payments received on loans and debt securities	4,778,280	5,747,542
Proceeds from sale of equity securities and related notes		846,277
Net cash provided by (used in) investing activities	(13,159,917)	445,620
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase program	(1,617,106)	
Proceeds from public offering of common stock	16,345,401	
Dividends paid to stockholders	(5,842,991)	(6,182,205)
Net change in DRIP deposit	400,000	
Payment of deferred loan costs and SBIC debenture fees	(110,423)	(16,394)
Net cash provided by (used in) financing activities	9,174,881	(6,198,599)
Net decrease in cash and cash equivalents	(961,939)	(1,030,849)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,374,826	41,889,324
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 34,412,887	\$ 40,858,475

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MAIN STREET CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
June 30, 2009
(Unaudited)

Portfolio Company/Type of Investment (1) (2)	Industry	Principal (6)	Cost (6)	Fair Value
Control Investments (3)				
Café Brazil, LLC	Casual Restaurant			
12% Secured Debt (Maturity April 20, 2011)	Group	\$ 2,625,000	\$ 2,608,099	\$ 2,625,000
Member Units (7) (Fully diluted 42.3%)			41,837	1,280,000
			2,649,936	3,905,000
CBT Nuggets, LLC	Produces and Sells			
14% Secured Debt (Maturity December 31, 2013)	IT Certification	1,680,000	1,649,198	1,680,000
10% Secured Debt (Maturity March 31, 2012)	Training Videos	915,000	915,000	915,000
10% Secured Debt (Maturity March 31, 2010)		60,000	60,000	60,000
Member Units (7) (Fully diluted 24.5%)			299,520	1,390,000
			2,923,718	4,045,000
Ceres Management, LLC (Lambs)	Aftermarket Automotive			
14% Secured Debt (Maturity May 31, 2013)	Services Chain	2,400,000	2,374,909	2,374,909
Member Units (Fully diluted 42.0%)			1,200,000	1,110,000
Class B Member Units (Non-voting)			151,688	151,688
			3,726,597	3,636,597
Condit Exhibits, LLC	Tradeshow Exhibits/			
13% current / 5% PIK Secured Debt (Maturity July 1, 2013)	Custom Displays	2,366,707	2,334,438	2,334,438
Warrants (Fully diluted 28.1%)			300,000	30,000
			2,634,438	2,364,438
Gulf Manufacturing, LLC	Industrial Metal			
Prime plus 1% Secured Debt (Maturity August 31, 2012)	Fabrication	1,200,000	1,191,936	1,200,000
13% Secured Debt (Maturity August 31, 2012)		1,600,000	1,485,462	1,580,000
Member Units (7) (Fully diluted 18.4%)			472,000	1,710,000
Warrants (Fully diluted 8.4%)			160,000	