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VIA COURIER

Douglas J. Scheidt, Esq.
Associate Director and Chief Counsel
Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Main Street Capital Corporation

Dear Mr. Scheidt:

We are writing on behalf of Main Street Capital Corporation (the "**Parent Company**"), an internally-managed, closed-end investment company that has elected to be regulated as a business development company ("**BDC**") under the Investment Company Act of 1940, as amended (the "**1940 Act**") to seek assurances that the staff of the Division of Investment Management (the "**Staff**") will not recommend enforcement action to the Securities and Exchange Commission (the "**Commission**" or "**SEC**") under Section 12(d)(3) of the Investment Company Act of 1940 (the "**1940 Act**"), made applicable to BDCs by Section 60 of the 1940 Act, if Main Street Capital Partners, LLC, a wholly-owned subsidiary of the Parent Company (the "**Subsidiary**"), registers as an investment adviser under the Investment Advisers Act of 1940 (the "**Advisers Act**").

Background

The Parent Company

The Parent Company, a Maryland corporation, was formed in March 2007 for the purpose of (a) acquiring 100% of the equity interests of Main Street Mezzanine Fund, LP, a small business investment company ("**SBIC**"), its general partner, Main Street Mezzanine Management, LLC, and its manager and investment adviser, the Subsidiary, (b) raising capital in an initial public

offering, and (c) thereafter operating as an internally-managed BDC under the 1940 Act. The Commission declared the Parent Company's registration statement effective on October 4, 2007, and the Parent Company elected to be regulated as a BDC under the 1940 Act and commenced its initial public offering on the same date. The Parent Company's common shares traded on the NASDAQ Global Select Market until October 2010. The Parent Company's common shares have traded on the New York Stock Exchange since October 2010.

The Parent Company's investments are made both directly and through its two wholly-owned SBIC subsidiaries, each of which is a Delaware limited partnership.[1] The Subsidiary, a Delaware limited liability company, manages the day-to-day operational and investment activities of the Parent Company and its two SBIC subsidiaries. The Subsidiary employs all of the Parent Company's investment personnel and other employees and is subject to the Parent Company's supervision and control.[2] Currently, the Subsidiary is not providing any investment advisory services to parties other than the Parent Company and its two SBIC subsidiaries. The Subsidiary is a taxable entity under the Internal Revenue Code of 1986, as amended (the "**Code**").

Parent Company's Registration as an Investment Adviser

In the latter part of 2010, the Parent Company was approached by the investment adviser to a newly formed, externally-managed BDC (the "**Other BDC**") about the Parent Company serving as investment sub-adviser to the Other BDC. Given that (a) all of the Parent Company's in-house staff of investment personnel have been (and continue to be) employed by the Subsidiary and (b) the investment management fee income that the Parent Company would receive if it were to act as the sub-adviser to the Other BDC could cause it to fail to satisfy the source-of-income requirement necessary to maintain its regulated investment company ("**RIC**") status under Subchapter M of the Code,[3] the Parent Company determined that the Subsidiary

[1] Each SBIC subsidiary is a Delaware limited liability partnership and is licensed as a Small Business Investment Company by the Small Business Administration.

[2] The Parent Company, the Subsidiary, the SBIC subsidiaries and the general partners of the SBIC subsidiaries are directly or indirectly overseen by the Parent Company's six-member Board of Directors, of whom five are not considered "interested persons" and one is considered an "interested person" of the Parent Company within the meaning of Section 2(a)(19) of the 1940 Act.

[3] The Parent Company has made an election to be treated for tax purposes as a RIC, and intends to continue to make such election in the future. As a RIC, the Parent Company generally will not pay corporate-level federal income taxes on any net ordinary income or capital gains that it distributes to its stockholders as dividends. To maintain its RIC status, the Parent Company must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of its net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. The Parent Company will satisfy the source-of-income test for purposes of qualifying as a RIC if it derives in each taxable year at least 90% of its 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 its business of investing in

should be the party to the sub-advisory relationship with the Other BDC and its registered investment adviser. However, because the Subsidiary would have to become a registered investment adviser if it were to act as an investment sub-adviser to the Other BDC, and Section 12(d)(3) of the 1940 Act, made applicable to a BDC by Section 60, generally prohibits a BDC from owning securities issued by a registered investment adviser, the Parent Company decided to register as an investment adviser with the SEC and enter into the sub-advisory relationship itself and, subject to the receipt of no-action, exemptive or other relief or interpretive guidance from the Staff regarding the permissibility of it owning securities of a registered investment adviser and the registration of the Subsidiary as an investment adviser under the Advisers Act, subsequently assign such sub-advisory relationship to the Subsidiary.[4] As a result, the Parent Company registered as an investment adviser with the SEC and entered into a sub-advisory agreement with the Other BDC and its investment adviser on October 28, 2010. In June 2011, the Parent Company's sub-advisory relationship with the Other BDC ended and the Parent Company ceased its efforts to obtain the regulatory relief noted above from the Staff.

Investment Sub-Advisory Arrangement with HMS Income Fund, Inc.

Subsequent to the termination of the sub-advisory relationship with the Other BDC, HMS Adviser LP ("**HMS Adviser**"), the investment adviser to HMS Income Fund, Inc. ("**HMS BDC**"), another newly formed, externally-managed BDC, approached the Parent Company about a similar arrangement pursuant to which the Parent Company would serve as investment sub-adviser to HMS BDC. In May 2012, HMS BDC, HMS Adviser and the Parent Company entered into a sub-advisory agreement. The Parent Company is initially providing the investment sub-advisory services to HMS BDC. Because the fees the Parent Company receives from such an arrangement constitute Bad RIC Income, the Parent Company would like to assign the sub-advisory agreement to the Subsidiary. The Subsidiary is a taxable entity under the Code and

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such stock or securities (income from such sources is referred to herein as "**Good RIC Income**"). Importantly, investment management fee income received in connection with the provision of investment advisory services, such as would be generated under an investment advisory contract with a BDC, does not constitute Good RIC Income (such income is referred to herein as "**Bad RIC Income**"). Therefore, in order for the Parent Company to maintain its RIC status and also continue to benefit from the establishment of the investment sub-advisory relationship with the Other BDC, the Parent Company believed that it was in its best interests and those of its shareholders to ultimately have the Subsidiary be the party to the sub-advisory agreement, since the Subsidiary has elected to be treated as a taxable entity and is taxed at corporate tax rates based on its taxable income, if any, and dividends paid by the Subsidiary to the Parent Company constitutes Good RIC Income. The utilization of the Subsidiary as a tax "blocker" entity in such a manner is a lawful method of tax planning under the Code.

[4] On December 30, 2010, the Parent Company filed an exemptive application with the SEC seeking an order pursuant to Section 6(c) of the 1940 Act granting an exemption from the provisions of Section 12(d)(3) to the extent necessary to permit the Parent Company to continue to hold its equity interest in the Subsidiary after the Subsidiary registered as an investment adviser with the SEC and the Parent Company assigned the sub-advisory agreement with the Other BDC to the Subsidiary. The exemptive application was withdrawn on August 24, 2011.

such fee income, if earned by the Subsidiary and subsequently distributed to the Parent Company, would constitute Good RIC Income for the Parent Company. If the Subsidiary provided sub-advisory services to HMS BDC, the Subsidiary would be required to register under the Advisers Act. Registration of the Subsidiary under the Advisers Act, in turn, would trigger the prohibition in Section 12(d)(3) of the 1940 Act, made applicable to BDCs by Section 60 of the 1940 Act, on the Parent Company purchasing or otherwise acquiring any security issued by an investment adviser registered under the Advisers Act. We believe that the Parent Company's ownership of the Subsidiary as an investment adviser registered under the Adviser's Act raises none of the concerns underlying Section 12(d)(3) of the 1940 Act.

Legal Analysis

Section 12(d)(3) of the 1940 Act

Section 12(d)(3) of the 1940 Act generally provides that it is unlawful for any registered investment company to purchase or otherwise acquire any security issued by any person who is, among other things, an investment adviser registered under the Advisers Act. Section 60 of the 1940 Act makes Section 12(d)(3) of the 1940 Act applicable to a BDC as if it were a registered closed-end investment company.[5]

Congress adopted Section 12(d)(3) for two primary purposes: (a) to limit exposure of entrepreneurial risk associated with securities-related businesses; and (b) to mitigate any potential conflicts of interest, particularly in connection with reciprocal practices with a broker/dealer that may sell the investment company's shares.[6] Much of the former concern stemmed from the fact that, in 1940, when Section 12(d)(3) was adopted, most securities-related businesses were organized as privately held general partnerships.[7] Consequently, an investment

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[5] The Commission has suggested that the prohibited acquisitions under Section 12(d)(3) are not limited to the original acquisitions of stock, but may occur as a result of subsequent events. See Acquisitions of Securities or Interests, Investment Company Act Release No. 3542 (Sept. 21, 1962).

[6] See Exemption of Acquisitions of Securities Issued by Persons Engaged in Securities Related Businesses, Investment Company Act Release No. 19204 (Jan. 4, 1993) (proposing release), at nn. 10-11 and accompanying text; Exemption of Acquisitions of Securities Issued by Persons Engaged in Securities-Related Businesses, Investment Company Act Release No. 19716 (Sept. 16, 1993) (adopting release), at n. 4 and accompanying text; Exemption for Acquisition by Registered Investment Companies of Securities Issued by Persons Engaged Directly or Indirectly in Securities Related Businesses, Investment Company Act Release No. 13725 (Jan. 17, 1984) (proposing release).

[7] See Exemption for Acquisition by Registered Investment Companies of Securities Issued by Persons Engaged Directly or Indirectly in Securities Related Businesses, Investment Company Act Release No. 13725 (Jan. 17, 1984) (proposing release) (in 1940 most securities-related businesses were organized as private partnerships and, thus, exposed investment company shareholders to the entrepreneurial risks associated with general partnership interests in those securities related businesses).

in such a company would expose an investment company to the unlimited liabilities of a general partner if such business failed. The latter concern arose in situations in which brokers, securities dealers and other financial intermediaries were in a position to dominate investment companies. The Commission provided examples of such situations in the *Report on the Study of Investment Trusts and Investment Companies* (the "**Study**").[8] For example, concerns were raised that an investment company sponsors, such as investment banks, were using investment companies to purchase or otherwise acquire securities issued by securities related businesses affiliated with the sponsor, regardless of the value to the investment company, to prop up the value the affiliate's stock.[9] The concerns raised in the Study, however, do not apply to the Parent Company's ownership of the Subsidiary because most of the specific concerns identified by Congress relate to an investment company's ownership of a brokerage or underwriting business, rather than ownership of an advisory business.[10]

In this regard, we believe that the legislative history of Section 12(d)(3) supports interpreting the phrase "related activities" contained in Section 12(d)(3)(B) to include advisory services, particularly when comparing the changes to the carve-out language from its original form in the proposed legislation to the final adopted text.[11] Although there is no testimony or explanation in the legislative history to explain the changes to the carve-out language, we believe that the revised carve-out language was intended to allow activities that a registered investment company could lawfully itself engage in, and accordingly, that the phrase "related activities" in Section 12(d)(3) was intended to exclude wholly-owned subsidiaries that engaged only in investment advisory activities. We believe this interpretation is supported in Congressional testimony and House and Senate reports that focus exclusively on brokerage and underwriting in

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[8] H.R. Doc. No. 707, 75th Cong. 3d Sess. (1938). See also Section 1(b)(2) of the 1940 Act (stating that the national public interest and the interests of investors are adversely affected "when investment companies are organized, operated, managed, or their portfolio securities are selected ... in the interest of underwriters, brokers, or dealers...").

[9] See Study, part I, at 76-77.

[10] Compare Section 12(c)(2)(B) in H.R. 8935, 76th Cong. (3d Sess. 1940) at 30 ("**House Bill**"), S. 3580, 76th Cong. (3d Sess. 1940) at 30 ("**Senate Bill**"), and Investment Trusts and Investment Companies: Hearings on S. 3580 before the Subcomm. on Securities and Exch. of the Senate Comm. on Banking and Currency, 76th Cong (3d Sess. 1940), pt. 1, at 10 ("**Senate Hearings**") with Section 12(d)(3)(B) of the 1940 Act; See also H.R. Rep. No. 76-2639, at 16 (1940); S. Rep. No. 76-1775, at 15-16 (1940); Senate Hearings, pt. 1, at 243.

[11] The original language provided that a registered investment company could purchase interests in a wholly-owned subsidiary if the "business of such person is confined to activities in which the registered company may lawfully engage." See House Bill at 30; Senate Bill at 30. Registered investment companies were at the time, and continue to be, lawfully permitted to act as investment advisers. The language was subsequently changed, carving out persons "primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, or any one or more of such related activities." See Section 12(b)(3)(B).

connection with Section 12.[12] Due to this focus on brokerage and underwriting activities, we believe the final text of Section 12 was revised to clarify that registered investment companies could engage, themselves or through a wholly-owned subsidiary, in brokerage and underwriting activities. We further believe that the new phrase "related activities" was included to encompass the original draft language that prohibited the purchase by a registered investment company of "any person who is a broker, dealer, underwriter, manager, or investment adviser, unless ... the business of such person is confined to activities in which such registered company itself may lawfully engage."[13] Accordingly, we believe the phrase "related activities" in Section 12(d)(3)(B) should be interpreted to include advisory activities and that the wholly-owned Subsidiary should be permitted to conduct such activities.

Although the Parent Company could continue to provide advisory services directly as a registered investment adviser, we are seeking relief because if the Parent Company continues to provide advisory services directly it will continue to generate Bad RIC Income that will ultimately be detrimental to its shareholders. By providing advisory services through the Subsidiary, the Parent Company ensures that with respect to such advisory services, shareholders of the Parent Company will be protected from future Bad RIC Income through bona fide tax planning and yet receive the benefit of the advisory arrangement. Additionally, by providing advisory services through a wholly-owned limited liability subsidiary, the Parent Company is limiting shareholder exposure to potential liability arising out of the Subsidiary's activities. Finally, the potential for conflicts of interest or overreaching is mitigated due to the fact that the Parent Company wholly-owns the Subsidiary, which also has the same board oversight as the Parent Company, and that this concern in the context of Section 12(d)(3) was raised by Congress primarily with respect to an investment company's ownership of a brokerage or underwriting business, rather than the ownership of an advisory business.

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[12] Senate Hearings, pt. 1 at 243 (statement from David Schenker saying that the Section "merely states that an investment company cannot buy an interest in a brokerage firm, a distributing company or an investment banking house. It goes further and says that if it is engaged in the underwriting business itself – if engaged in that business through a wholly-owned subsidiary – it is permissible to do so ... 'if you want to go into the underwriting business and want to do it through a wholly-owned subsidiary, there is no difficulty with that situation.'"). See also H.R. Rep. No. 76-2639, at 16 (1940) (explaining that the Subsection "prohibits investment companies from acquiring securities of persons engaged in the brokerage business or in the business of underwriting and dealing in securities unless the investment company will, after such acquisition, own all the outstanding securities of such person and the principal business of such company is that of underwriting securities"); S. Rep. No. 76-1775, at 15-16 (1940) (referring solely to "persons engaged in the brokerage business or in the business of underwriting and dealing in securities" in connection with Section 12).

[13] See supra n. 11.

Conclusion

We request that the Staff provide assurances that it will not recommend enforcement action to the Commission under Section 12(d)(3) of the 1940 Act against the Parent Company if the Subsidiary registers as an investment adviser under the Advisers Act.

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Please call the undersigned at 202.383.0176 or Harry S. Pangas at 202.383.0805 if you have any questions regarding the relief requested herein. We look forward to hearing from you or from a member of your staff.

Sincerely,

Steven B. Boehm

cc: Jason B. Beauvais, Esq./Main Street Capital Corporation
Harry S. Pangas, Esq.