

**FORM ADV PART 2A: FIRM BROCHURE**

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This brochure provides information about the qualifications and business practices of MSC Adviser I, LLC ("MSC Adviser"). If you have any questions regarding the contents of this brochure ("Brochure"), please contact us at (713) 350-6000 or via email at [lpadmin@mainstcapital.com](mailto:lpadmin@mainstcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about MSC Adviser can also be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Important Note about this Brochure

*This Brochure is not:*

- *an offer of, or agreement to provide, advisory services directly to any recipient;*
- *an offer to sell (or a solicitation of an offer to buy) any type of interest in any entity advised by Main Street (as defined below); or*
- *a complete discussion of the features, risks or conflicts associated with any advisory service or Client (as defined below).*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), MSC Adviser provides this Brochure to certain current and prospective advisory clients (each, a “Client”) as required by the Advisers Act. MSC Adviser can also, in its discretion, provide this Brochure to current or prospective investors in a private investment fund advised by MSC Adviser (a “Private Fund”), together with the Private Fund’s private placement memorandum, organizational documents, investment advisory agreement and other related documents (collectively, the “Client Documents”), prior to, or in connection with, an investor’s investment in a Private Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.*

*Although this publicly available Brochure describes MSC Adviser’s investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that this Brochure is designed solely to provide information about the adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure might differ from the information provided in the Client Documents. More complete information about each Private Fund is included in the Client Documents, certain of which are provided to current and eligible prospective investors only by MSC Adviser. To the extent that there is any conflict between discussions herein and similar or related discussions in any Client Documents, the Client Documents shall govern and control.*

*No offer or solicitation in the Private Funds advised by MSC Adviser will be made before the delivery of the Client Documents to a prospective investor. Potential investors should carefully read the Client Documents and consult with their tax, legal and financial advisors before making any investment decision.*

### **Item 2**      **Material Changes**

Not applicable.

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## **Item 4            Advisory Business**

MSC Adviser I, LLC, a Delaware limited liability company (“MSC Adviser”), is an investment advisory firm formed in November 2013. MSC Adviser is wholly owned by Main Street Capital Corporation, a Maryland corporation (“MSCC”, collectively with its consolidated subsidiaries, as well as MSC Adviser, “Main Street”) that is publicly traded (NYSE: MAIN). MSCC is an internally managed non-diversified 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”). Main Street provides “one-stop” capital solutions (debt and private equity capital) to lower middle market companies and debt capital to middle market companies and was formed in March 2007. MSC Adviser was formed to provide investment management and other services related to MSCC’s external asset management business (i.e., to persons other than MSCC and its subsidiaries or their portfolio companies), and MSCC was granted no-action relief by the SEC to allow MSC Adviser to be a registered investment adviser. Main Street is headquartered in Houston, Texas.

### Main Street

Main Street is an 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. Main Street’s portfolio investments are typically made to support management buyouts, recapitalizations, growth financings, refinancings and acquisitions of companies that operate in a variety of industry sectors. Main Street seeks to partner with entrepreneurs, business owners and management teams, and generally provides “one stop” financing alternatives to its LMM portfolio companies.

Main Street invests 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. Main Street generally targets LMM companies with annual revenues between \$10 million and \$150 million and annual earnings before interest, taxes, depreciation and amortization (“EBITDA”) between \$3 million and \$20 million, and its LMM portfolio investments generally range in size from \$5 million to \$50 million. Main Street’s Middle Market investments are typically made in businesses that are larger in size than its LMM portfolio companies. Main Street generally targets Middle Market companies with annual revenues typically between \$150 million and \$1.5 billion, and its Middle Market investments generally range in size from \$3 million to \$20 million. Some of Main Street’s investments in LMM companies and Middle Market companies are private loan (“Private Loan”) portfolio investments, which are generally investments in debt instruments originated on a collaborative basis with other investment funds, often referred to as “club deals”. Private Loan investments are typically similar in size, structure, terms, and conditions to investments held in the LMM portfolio and Middle Market portfolio. The portfolio also includes other portfolio investments (“Other Portfolio”) primarily consisting of investments managed by third parties.

MSCC wholly owns several investment funds, including Main Street Mezzanine Fund, LP (“MSMF”), Main

Street Capital II, LP (“MSC II”) and Main Street Capital III, LP (“MSC III” and, collectively with MSMF and MSC II, the “MSCC Funds”), and each of their general partners. Each of the MSCC Funds are licensed as a Small Business Investment Company (“SBIC”) by the United States Small Business Administration (“SBA”).

## MSC Adviser

MSC Adviser currently provides discretionary investment advisory and management services to BDCs and Private Funds that primarily make investments similar to those made by Main Street and may, in the future, provide investment advisory and managed services to other pooled investment vehicles, and institutional investors (through separately managed accounts) that also make similar investments. MSC Adviser’s current clients are MSC Income Fund, Inc., a Maryland Corporation (“MSIF”), a public non-traded BDC and MS Private Loan Fund I, LP (the “PL Fund”).

## MSIF

MSIF is an externally managed, non-diversified closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. MSIF seeks to generate current income through debt and equity investments, and secondarily, to generate long-term capital appreciation through such equity and equity-related investments. MSIF’s strategy is to invest primarily in illiquid debt and equity securities issued by LMM companies that generally have annual revenues between \$10 million and \$150 million, and Middle Market companies that are generally larger in size than the LMM companies and have annual revenues typically between \$10 million and \$3 billion. MSIF’s LMM and Middle Market portfolio investments generally range in size from \$1 million to \$15 million. Typically, MSIF’s investments are made as co-investments with Main Street. Some of these investments in LMM companies and Middle Market companies are Private Loan portfolio investments, which are generally investments in debt instruments originated on a collaborative basis with other investment funds, often referred to as “club deals”. The portfolio also includes Other Portfolio investments.

## PL Fund

The PL Fund is an investment vehicle that is not registered or required to be registered under the 1940 Act. The securities of the PL Fund are not registered or required to be registered under the Securities Act of 1933, as amended (the “Securities Act”), and were privately placed to accredited and qualified investors (see “Item 7 – Types of Clients” below).

The PL Fund primarily co-invests in Private Loan investments with Main Street and MSIF. MS Private Loan Fund I GP, LLC, a limited liability company formed under the laws of Delaware and wholly owned by MSC Adviser (the “General Partner”), serves as the general partner of the PL Fund.

The PL Fund has an investment strategy that overlaps with the investment strategies of Main Street and MSIF. Please see Items 6, 10 and 11 of this Brochure for a further discussion of potential conflicts of interest and Main Street’s management thereof.

MSIF and the PL Fund are each referred to herein as a “Client” and collectively with any future Private Fund or other client advised by MSC Adviser the “Clients”.

Except as otherwise described herein, Client assets will be managed in accordance with the investment guidelines and constraints based upon the investment objectives and limitations of that Client as stated in its organizational and offering documents. MSC Adviser does not generally tailor its investment management services to the individualized needs of any Client’s investors.

MSC Adviser or an affiliate may, in the future, enter into side letters or other similar agreements with certain investors in the Private Funds granting such investors terms and conditions that are more favorable than other investors in the Private Funds including lower fees. For a detailed discussion of side letters and other terms, investors should refer to the Private Fund’s Client Documents.

As of September 30, 2020, MSC Adviser had discretionary regulatory assets under management of approximately \$902.7 million and did not have any non-discretionary assets under management.

## **Item 5            Fees and Compensation**

### **Advisory Fees**

MSC Adviser is typically compensated for advisory services through the payment of asset-based management fees and may also receive performance-based fees or allocations in accordance with the Client Documents (see Item 6, below). Management fees for Private Funds are typically set at the Private Fund’s first closing as set forth in the Private Fund’s Client Documents and are generally non-negotiable. Fees are generally deducted directly from the Client’s assets. MSC Adviser does not require any prepayment of fees. To the extent that fees are assessed or paid in advance by a Client and their investment advisory agreement is terminated, MSC Adviser would promptly credit any unearned portions of the fee in accordance with the Client Documents.

#### MSIF

The fee for investment advisory and management services provided to MSIF consists of two components: an asset-based management fee of 1.75% and a performance-based incentive fee of 20% on pre-incentive fee net investment income and on capital gains. To the extent there are any fee waivers, such waivers are at the discretion of MSC Adviser, may be subject to recoupment, and may be reinstated at any time with notice to MSIF. A description of the calculation and payment method is included in the definitive proxy statement filed by MSIF with the SEC on July 16, 2020. Please refer to the section entitled “Performance-Based Fees” therein for additional information.

## Private Funds

Pursuant to each Private Fund's governing documents, MSC Adviser or an affiliate is paid an annual asset-based management fee which may range between 1.0% and 2.0% and performance-based fees which may range between 10% and 20% of realized net profits, calculated after Private Fund investors have first received the return of their capital and a specific annual cumulative compounded rate of return. The management fees can be reduced by any net fees paid to MSC Adviser (or its affiliates) due to certain deal fees and breakup fees received from companies in which the Private Funds have or may invest (as discussed further below). As discussed above, certain investors may enter into side letters whereby such investors may be granted terms and conditions that are more favorable than other investors in the Private Funds, including but not limited to, lower fees.

MSC Adviser can also receive compensation from borrowers for loan administration services provided in connection with certain private deals in which a Client invests. Typically, such fees are offset against management fees, to the benefit of the Client's investors. However, MSC Adviser, including affiliated entities, can retain a portion of such fees in proportion to its investment in a Client or in its general partner.

## **Other Fees and Expenses**

Besides advisory fees paid for advisory services related to each Client, there are other fees and expenses associated with Client management that will be borne by Clients and their investors. These fees and expenses can include, but are not limited to: (1) custodial charges; (2) credit support fees; (3) brokerage fees; (4) fees for administrative services provided by third parties and/or affiliated entities, including third party valuation service providers; (5) fees for professional services provided in-house by Main Street (to the extent there is a tangible benefit of such services to a Client); (6) commissions and other related transaction costs and expenses, such as deal fees, origination fees and deferred sales charges; (7) governmental charges, taxes and duties; (8) transfer fees, registration fees and other expenses associated with buying, selling or holding investments, such as wire transfer and electronic fund fees; (9) withholding taxes payable and required to be withheld by issuers or their agents; (10) legal fees incurred in connection with the discharge of its investment management responsibilities, (11) investment-related travel expenses and travel and entertainment expenses incurred in sourcing loans from fund sponsors and prospective borrowers, (12) expenses incurred with respect to investor or limited partner communication, meetings and conferences, (13) audit fees, (14) insurance expenses, and (15) fees associated with investments in pooled investment vehicles (the "Other Expenses").

Investors should consult the applicable Client Documents for a detailed discussion of the Other Expenses associated with a Client. Note that expenses incurred by MSIF are explained at length in the appropriate regulatory filings.

Generally, expenses will be charged to the Client(s) on whose behalf the expense was incurred. MSC Adviser from time to time incurs fees, costs, and expenses on behalf of more than one Client. To the extent fees,

costs and expenses are incurred for the account or benefit of more than one Client, each Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable governing documents) or in such other manner as MSC Adviser considers fair and equitable under the circumstances. MSC Adviser has adopted policies and procedures designed to ensure that such fees, costs, and expenses are allocated among itself and its Clients on a fair and equitable basis over time.

From time to time, MSC Adviser will undertake due diligence with respect to an investment that is not completed (i.e., "broken deal" expenses are incurred). MSC Adviser attempts to allocate broken deal expenses generally on a pro rata basis across accounts, funds and other investors that regularly co-invest with a Client in similar deals. This means that, in certain circumstances (for example, where a co-investor does not regularly participate in co-investments in similar deals), MSC Adviser will generally allocate pre-commitment broken deal expenses only to the accounts, funds and other investors that do regularly participate and does not allocate such expenses to any co-investors that do not regularly participate in similar deals.

All Clients may incur expenses in connection with custodial or brokerage services discussed in Item 13.

*Please note the fees and expenses discussed above are intended to provide a description of the types of fees and expenses that are typically charged to each Client but is not exhaustive of the fees and expenses a Client could incur or pay to third parties, nor is it inclusive of all fees and expenses that could be incurred by an investor in holding an interest in the Client. The specific fees and expenses applicable to each Client are set forth in the relevant Client Documents. Fees and expenses charged to future advisory clients could differ. Prospective investors should carefully review the Client Documents prior to making an investment in any Client.*

Neither MSC Adviser nor its Supervised Persons (as defined below) receive transaction-based compensation, such as sales charges or service fees, from any Clients in connection with the execution of transactions in securities or other investment products.

## **Item 6                      Performance-Based Fees and Side-by-Side Management**

Each of the accounts that MSC Adviser manages has a performance-based fee, and therefore MSC Adviser does not manage accounts that have a performance-based fee side-by-side with accounts that do not have a performance-based fee. Performance-based fees are fees based on a share of capital gains or capital appreciation of the Client's assets. MSC Adviser charges performance-based fees only in accordance with Section 205(3) of the Advisers Act or Rule 205-3 thereunder.

If MSC Adviser has the potential to earn higher or accelerated fees from one Client, it has an incentive to devote more research and development or other activities, and/or to favor the allocation of investment opportunities, to such higher fee-paying Client. The potential to earn performance-based fees creates an



incentive for MSC Adviser to make or acquire investments on the Client's behalf that are riskier or more speculative. Similarly, performance-based fees can incentivize MSC Adviser to make decisions regarding the timing or structure of investment realizations that might not be in the best interest of investors. Furthermore, in evaluating investments and other management strategies, the opportunity to earn performance-based fees on each Client's returns could lead MSC Adviser to favor maximizing returns over the preservation of capital. Investments with higher yield potential are generally riskier or more speculative, which could result in increased risk to the Client's investors.

MSC Adviser endeavors to recommend the allocation of investment opportunities among Clients (and any co-investors) in a manner that is fair and equitable over time, taking into consideration each Client's investment objectives, strategy, risk tolerance, and guidelines, in accordance with an investment allocation policy. To mitigate potential conflicts of interest associated with performance-based fees, MSC Adviser has policies and procedures in place to govern allocation of investment opportunities and their valuation that are applied to all investments, and additional regulatory requirements impact allocation decisions as discussed below.

Main Street has received exemptive relief from the SEC to co-invest with MSIF and/or one or more Private Funds where doing so is consistent with MSCC's and each Client's investment strategy as well as applicable law (including the terms and conditions of the exemptive order issued by the SEC). The order requires, among other things, that Main Street and MSC Adviser consider whether each such investment opportunity is appropriate for MSCC, MSIF and each Client and, if it is appropriate, to propose an allocation of the investment opportunity between MSCC and MSIF and each other participating Client. Under the terms of the relief permitting Main Street and its Clients to co-invest, a "required majority" of each of MSCC and MSIF's independent directors must make certain conclusions in connection with a co-investment transaction, including (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to MSCC and MSIF's respective stockholders and do not involve overreaching of MSCC and MSIF's respective stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of MSCC and MSIF's respective stockholders and is consistent with MSCC and MSIF's respective investment objectives and strategies. Co-investments may afford Main Street and its Clients additional investment opportunities and an ability to achieve greater portfolio diversification. The investments are allocated according to Main Street's allocation policy which in general provides that investments approved as outlined above are allocated in a fair and equitable manner, subject to available capital and certain other parameters.

## **Item 7**      **Types of Clients**

MSC Adviser provides advisory services to pooled investment vehicles, including MSIF and the PL Fund. Investors in these Clients can include institutions, commercial banks, trusts, pension plans, insurance companies, foundations, endowments, family offices, private funds, and high net worth individuals. MSIF is not currently publicly traded. The PL Fund is being privately placed and relies upon an exception from

registration under the 1940 Act that requires that investors be (i) “accredited investor” as defined by Regulation D under the Securities Act of 1933 and (ii) “qualified purchasers” as defined in Section 2(a)(51) of the 1940 Act, or “knowledgeable employees” as defined in Rule 3c-5 under the 1940 Act.

The minimum investment amount for each Client is stated in the Client Documents, and Main Street can reduce or waive the minimum investment at its discretion.

## **Item 8            Methods of Analysis, Investment Strategies, and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

Main Street’s management investment committee is responsible for all aspects of MSC Adviser’s and its Clients’ investment processes. The current members of the investment committee are Dwayne L. Hyzak, Main Street’s Chief Executive Officer, David L. Magdol, Main Street’s Chief Investment Officer, and Vincent D. Foster, Main Street’s 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 LMM portfolio investments or Middle Market portfolio investments as outlined below, or a combination thereof. Main Street’s investment strategy involves a “team” approach, whereby potential transactions are screened by several members of the investment team before being presented to the investment committee. The investment committee meets on an as-needed basis depending on transaction volume. The investment process is generally categorized 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. The investment teams have focused their deal generation and origination efforts on LMM and Middle Market companies, and have developed a reputation as a knowledgeable, reliable, and an active source of capital and assistance in these markets.

#### Screening

During the screening process, if a transaction initially meets certain investment criteria, the investment team 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 the investment committee. If the investment committee concurs with moving forward on the proposed LMM transaction, the investment team will typically issue a non-binding term sheet to the company.

For Middle Market portfolio investments, the process is similar except that the initial term sheet is typically issued by the borrower, through the syndicating bank, and it is then screened by the investment team which makes a recommendation to the investment committee.

## Term Sheet

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

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 the investment team to determine if such terms and conditions are in agreement with each participating Client's investment objectives.

## Due Diligence

Due diligence on a proposed LMM investment is performed by a minimum of three of the investment professionals that make up 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. The 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 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. The 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 circumstances, the investment team may decide not to make an investment recommendation 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 the 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 the 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

Main Street continuously monitors the status and progress of the portfolio companies. Main Street generally offers managerial assistance to portfolio companies, giving them access to its 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 the 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 Main Street maintains limited involvement in the ordinary course operations of LMM portfolio companies, a higher level of involvement is maintained in non-ordinary course financing or strategic activities and any non-performing scenarios. The performance of Middle Market portfolio investments is monitored; however, due to the larger size and higher sophistication level of these Middle Market companies in comparison to LMM portfolio companies, it is not necessary or practical to have as much direct management interface.

An internally developed investment rating system is utilized to rate the performance of each LMM portfolio company and to monitor the expected level of returns on each LMM investment in relation to 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 debt investments and the ability to receive a return of the invested capital in equity investments, comparisons to competitors and other industry participants, the portfolio company's outlook and other factors that are deemed to be significant to the portfolio company.

## **Risk of Loss**

Any investment involves substantial risks that should be carefully considered. There can be no assurances or guarantees that (i) the Client's investment objective will be realized, (ii) the Client's investment strategy will prove successful, or (iii) that investors will not lose all or a portion of their investment in the Client. Prospective investors should also consult their own legal, investment, tax, and other advisers, and the applicable Client Documents, as to whether an investment is appropriate for them. All investments in securities involve a risk of loss that investors should be prepared to bear.

*Please note that this list is not exhaustive of all potential risks involved with an investment in a Client. Investors should carefully review the risk factors and other considerations described in the Client Documents prior to making an investment in a Client. There is no guarantee that investments will perform as described within the Client Documents.*

## General Market, Investment and Trading Risks

**General Investment Risks.** An investment in a Client involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that a Client's investment program will be successful or that an investor will not lose money on its investment, and investment results might vary substantially over time.

**General Market and Economic Conditions.** General economic conditions may affect Clients and their respective investments, some of which could magnify the risks described herein and have other adverse effects. Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in the financial markets can affect the value and number of investments made by a Client or considered for prospective investment. The value of investments could fluctuate in accordance with changes in the financial condition of portfolio companies and other factors that affect the markets in which Clients invest. Deteriorating market conditions could result in increased volatility and illiquidity in the global credit, debt, and equity markets generally. The duration and ultimate effect of recent market conditions cannot be forecast, nor is it known whether or the degree to which such conditions will continue or worsen. Economic, political, regulatory or market developments can affect a single obligor, obligors within an industry, economic sector or geographic region, or the market as a whole. Different parts of the market and different types of investments can react differently to these developments. Such declines may be exacerbated by other events, such as the failure of significant financial institutions, dislocations in other investment markets, or other extrinsic events. Every investment has some level of market volatility risk. Economic slowdowns or downturns could lead to financial losses in a Client's investments. In addition, many portfolio companies could be similarly subject to the same economic conditions, which could adversely impact the ability to repay loans made by Clients.

**Competitive Market for Investment Opportunities.** The activity of identifying, completing, and realizing attractive portfolio investments is competitive, and involves a high degree of uncertainty. There can be no assurance that MSC Adviser will be able to locate and complete portfolio investments that satisfy its Clients' investment criteria and meet any applicable rate of return objectives or that it will be able to fully invest available capital. It is possible that competition for appropriate investment opportunities could increase, which might reduce the number of opportunities available to Clients and/or adversely affect the terms upon which such investment can be made. Market disruptions (such as that currently affecting debt markets) could prevent MSC Adviser from sourcing suitable investments.

**Combination or "Layering" of Multiple Risk Factors May Significantly Increase Risk of Loss.** Although the various risks discussed herein are generally described separately, investors should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss could significantly increase.

## Risks Related to MSC Adviser's Investment Strategies

**Risks of Senior Secured Loans.** When a Client extends senior secured loans, it will generally take a security interest in the available assets of its portfolio companies, including the equity interests of their subsidiaries. MSC Adviser expects this security interest to help mitigate the risk that the Client will not be repaid. However, there is a risk that the collateral securing the Client's loans could decrease in value, be difficult to sell in a timely manner, be difficult to appraise and fluctuate in value based upon the success of the business and market conditions, including because of the inability of the portfolio company to raise additional capital. Moreover, in some circumstances, the Client's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including any inability to raise additional capital, could be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Client will receive principal and interest payments according to the loan's terms, or at all, or that the Client will be able to collect on the loan should the Client be forced to enforce its remedies.

**Risks of Mezzanine Debt.** A Client's mezzanine debt investments, if any, will generally be subordinated to senior secured loans and will generally be unsecured or have a subordinated secured interest. This could result in an above average amount of risk and volatility or a loss of principal. These investments might involve additional risks that could adversely affect investment returns. To the extent interest payments associated with such debt are deferred, such debt might be subject to greater fluctuations in valuations, and such debt could subject the Client and its investors to non-cash income. Since the Client may not receive cash prior to the maturity of some of its mezzanine debt investments, such investments can be of greater risk than cash paying loans.

**Risks Associated with Private Debt Securities.** Debt investments in privately held companies may be below-investment grade securities. Portfolio company issuers of private debt securities purchased by a Client could face intense competition (including competition from companies with greater resources and capabilities), changing business and economic conditions or other developments which can adversely affect their performance. The success of portfolio companies will be dependent on their management and there can be no assurance that their performance will meet expectations. Where a Client holds a non-controlling interest in portfolio companies, it might have to rely solely on contractual covenants (which may not be available) to protect its position in such portfolio companies. In addition, if the private debt securities are subordinated to senior indebtedness, the ability of the Client to influence a portfolio company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. There can be no assurance that a portfolio company will generate sufficient cash necessary to service its debt obligations, and, in any such case, the Client could suffer a partial or total loss of invested capital.

**Variable and Floating Rate Securities.** Certain Clients' portfolio investments will be in floating rate debt instruments ("Floaters"). The interest rate on a Floater is a variable rate which is tied to another interest rate, such as a money-market index or LIBOR. The interest rate on a Floater resets periodically, typically every six months. Because of the interest rate reset feature, Floaters provide Clients with a certain degree of protection against rises in interest rates, although the Client will participate in any declines in interest rates as well.

**LIBOR Risk.** The interest rates of floating rate loans to portfolio companies and for any of the borrowings



that extend beyond 2021 might be subject to change based on recent regulatory changes. 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. Typically, LIBOR is used as a reference rate in floating rate loans that extend to portfolio companies such that the interest due pursuant to a term loan extended to a portfolio company is calculated using LIBOR and LIBOR is used as a reference rate in connection with a credit facility.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. As such, the potential effect of any such event on 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, renegotiations of credit agreements extending beyond 2021 could be needed with portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. In addition, any further changes or reforms to the determination or supervision of LIBOR might 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 the Client and could have a material adverse effect on the business, financial condition, tax position and results of operations.

**Equity Investments.** Clients generally will make selected equity investments. In addition, when a Client invests in mezzanine debt or senior secured loans, the Client will acquire warrants to purchase equity investments from time to time. MSC Adviser will generally seek to ultimately dispose of these equity investments and realize gains upon the disposition of such interests. However, the equity investments the Client receives might not appreciate in value and, in fact, could decline in value. Accordingly, the Client might not be able to realize gains from its equity investments, and any gains that the Client does realize on the disposition of any equity investments may not be sufficient to offset any other losses it experiences.

**Investments in Middle Market Companies.** Investing in middle market companies involves a number of significant risks, including:

- companies typically have limited financial resources and might be unable to meet their obligations under their debt securities that the Client holds, which could be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Client realizing any guarantees it could have obtained in connection with the investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons;



therefore, the death, disability, resignation, or termination of one or more of these persons could have a material adverse impact on the company and, in turn, the Client;

- there is typically little public information that exists about these companies, and the Client will rely on the ability of MSC Adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies; if they are unable to uncover all material information about these companies, the Client might be unable to make an informed investment decision and could lose money on its investments;
- they generally have less predictable operating results, might from time to time be parties to litigation, be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and could require substantial additional capital to support their operations, finance expansion or maintain their competitive position; in addition, MSC Adviser and its investment personnel could, in the ordinary course of business, be named as defendants in litigation arising from the Client's investments in the companies; and
- they can have difficulty accessing the capital markets to meet future capital needs, which could limit their ability to grow or to repay their outstanding indebtedness upon maturity.

**Limited Liquidity of Investments.** Clients will generally make investments in private companies. Substantially all of these investments will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of the Client's investments can make it difficult for the Client to sell such investments if the need arises. In addition, if the Client is required to liquidate all or a portion of an investment in a portfolio company quickly, the Client could realize significantly less than the value at which it previously recorded the investment.

**Interest Rates.** Interest rate fluctuations could have a substantial negative impact on Clients. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on the Client's net investment income. An increase in interest rates could decrease the value of any investments the Client holds which earn fixed interest rates and correlatively could increase the Client's interest expense, thereby decreasing its net income. Adjustable as well as other floating and indexed-rate instruments also can react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other things).

**Concentration.** A concentration by a Client of portfolio assets or collateral securing portfolio assets of a limited number of obligors or obligors within a particular industry or region or a concentration of portfolio assets secured by a limited class of assets could impair the Client's portfolio if the industry or region were to experience economic difficulties or if the asset class were to fall out of favor in the market. The unfavorable performance of one or more of the Client's relatively large investments could have a substantial adverse impact on the aggregate returns of the Client to its investors.

**Use of Leverage.** Clients will borrow or otherwise use leverage to increase profit potential while increasing risk of loss and volatility to the extent borrowings are permitted under the Client Documents. Leverage takes the form of borrowed money, short positions, uncovered put options, derivative instruments that are inherently leveraged, and other forms of direct and indirect borrowings. If the interest expense on borrowings were to exceed the net return on the portfolio of securities purchased with borrowed funds, returns will be lower than if Clients were not leveraged. Additionally, the use of leverage, while providing the opportunity for higher returns, also increases volatility and the risk of loss. There could be a conflict of

interest in causing a Client to incur leverage or determining to de-lever, because MSC Adviser earns fees on the leverage and/or has performance allocations without the associated risk of loss.

**Leveraged Nature of Portfolio Companies.** The companies in which Clients invest expect to employ considerable leverage, a significant portion of which might be at floating interest rates. The leveraged capital structure of the portfolio companies will increase the sensitivity of Clients' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment, or rising interest rates. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, Clients can suffer a partial or total loss of capital invested in the portfolio company, which, given the size of the Clients' investments, could adversely affect the return to Clients.

**Risks of Hedging Transactions.** MSC Adviser, on behalf of its Clients, reserves the right to hedge interest rate and credit risks based on economic conditions, changes in the credit markets and other factors. In seeking to hedge pursuant to the foregoing, Clients can use various financial instruments, including without limitation, forward contracts, interest rate swaps, caps, collars, and floors. While Clients can enter into such transactions, unanticipated changes in interest rates could result in poorer overall investment performance than if Clients had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged might vary. Moreover, for a variety of reasons, Clients might not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation could prevent Clients from achieving the intended hedge and expose the Client to risk of loss.

**Credit Derivatives.** MSC Adviser may cause Clients to utilize credit derivatives. Default risk derivatives are linked to the price of reference securities or loans after a default by the issuer or borrower, respectively. Market spread derivatives are based on the risk that changes in market factors, such as average credit spreads, can cause a decline in the value of a security, loan, or index. The use of credit derivatives involves strategies and risks different from those associated with ordinary portfolio security transactions. If MSC Adviser is incorrect in its forecasts of default risks, market spreads or other applicable factors, the Clients' investment performance would diminish compared with what it would have been if these techniques were not used. Moreover, even if MSC Adviser is correct in its forecasts, there is a risk that a credit derivative position might correlate imperfectly with the price of the asset or liability being hedged. To the extent desired for strategic purposes, exposure could be attained using derivatives described herein, through credit default swap transactions and through other derivatives.

**Swap Agreements.** MSC Adviser might enter into swap transactions for trading, investment and hedging purposes. The use of securities, interest rate, credit, currency, equity, commodity, index, and total return swaps, swap options (or swaptions), and interest rate caps, floors, and collars is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. MSC Adviser might write (sell) and purchase put and call swaptions. Swaps are individually negotiated transactions where each party agrees to make a one-time payment or periodic payments to the other party. The parties to a swap typically do not obligate themselves to make "principal" payments, but only to pay the agreed upon rates or amounts as applied to an agreed upon "notional" amount. Nevertheless, most swap agreements are currently principal-to-principal transactions in which performance is the responsibility of the individual counterparty and not an organized exchange or clearinghouse. As such, Clients are exposed to the risk of counterparty default. In the future, it is expected that most interest rate

and other standardized swaps will be executed on swap execution facilities and the credit of the exchange will be substituted for the credit risk of a counterparty. Moreover, MSC Adviser's forecasts of market values, interest rates, and currency exchange rates could be inaccurate and result in overall Client performance results that are worse than the results that would have been achieved if MSC Adviser did not engage in swap transactions.

**Investments in Cash and Cash-Equivalent Investments.** MSC Adviser will, from time to time, invest a portion of Client assets in cash or cash-equivalent investments to provide a reserve for anticipated obligations of Clients or for other temporary purposes. Although such a practice assists in the preservation of capital, the maintenance of cash positions could also impact Clients' overall investment return. Cash investment practices of Clients could be expected, therefore, to affect the Clients' total investment performance.

#### Risks Relating to Management.

**Retention of Qualified Personnel in a Competitive Environment.** Main Street's ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, the 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 Main Street competes for experienced personnel have greater resources than Main Street.

The competitive environment for qualified personnel requires Main Street to take certain measures to ensure that it can attract and retain experienced personnel. Such measures can include increasing the attractiveness of Main Street's overall compensation packages, altering the structure of the compensation packages using additional forms of compensation, or other steps. The inability to attract and retain experienced personnel would have a material adverse effect on Main Street and Clients.

**Strong Referral Relationships.** It is expected that MSC Adviser's management team will maintain their relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisors, attorneys, accountants, consultants and other individuals within its existing networks, and Clients will rely to a significant extent upon these relationships and the ability of the management team to grow new relationships to provide Clients with potential investment opportunities. If the management team fails to maintain its existing relationships or develop new relationships with sources of investment opportunities, Clients will not be able to grow the investment portfolio. In addition, individuals with whom members of the management team have relationships are not obligated to provide Clients with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for Clients.

**Valuation of Assets and Liabilities of the Client.** Client assets and liabilities will be valued in accordance with MSC Adviser's valuation policies and procedures as agreed upon by the Clients. Although the valuation of Client assets will be performed pursuant to MSC Adviser's written guidelines, it is likely that most of the assets owned by Clients will not be traded on an exchange, making valuation subject to the judgment of MSC Adviser or a third-party valuation service provider. If and to the extent that MSC Adviser or a third-party valuation agent values Client portfolio assets, it will be conducted in good faith based generally on GAAP, but such valuation might not reflect the realizable fair market value of any investment, which could be materially lower. MSC Adviser could face a conflict in valuing such thinly traded or illiquid securities

because the values established could have a significant impact on the calculation of MSC Adviser's incentive fee.

**Technological and Cybersecurity Risks.** MSC Adviser's business is highly dependent on its communications and information systems. In addition, certain of these systems are provided to MSC Adviser by third-party service providers. Any failure or interruption of such systems, including as a result of the termination of an agreement with any such third-party service provider, could cause delays or other problems in Clients' activities. This, in turn, could have a material adverse effect on Clients' operating results.

Intentional cybersecurity breaches include: unauthorized access to systems, networks, or devices (such as "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws).

A cybersecurity breach could result in the loss or theft of customer data or funds, the inability to access electronic systems (*i.e.*, "denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause Clients, MSC Adviser, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. In addition, such incidents could affect portfolio company issuers in which Clients invest, and thereby cause the investments to lose value.

## **Item 9            Disciplinary Information**

Not applicable.

## **Item 10           Other Financial Industry Activities and Affiliations**

### **Relationships that are Material to the Advisory Business or Clients**

As previously discussed, Main Street includes MSCC and its consolidated subsidiaries, as well as MSC Adviser. Each entity is engaged in the financial services industry; following are descriptions of their activities:

#### Main Street Capital Corporation (MSCC)

MSCC operates as an internally managed BDC. MSCC wholly owns several investment funds, including Main Street Mezzanine Fund, LP ("MSMF"), Main Street Capital II, LP ("MSC II") and Main Street Capital III, LP ("MSC III" and, collectively with MSMF and MSC II, the "MSCC Funds"), and each of their general partners. The MSCC 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 (MSC Adviser)

MSC Adviser is wholly owned by Main Street Capital Partners, LLC (“MSCP”), and MSCP is wholly owned by Main Street Capital Corporation (“MSCC”). In December 2013, no-action relief was received from the SEC to allow MSCC to own a registered investment adviser. MSCA was created to conduct MSCC’s external asset management business. MSC Adviser earns management fees based on the assets of its Clients under management and can earn performance-based fees. Currently, MSCA serves as investment adviser to MSIF and the PL Fund.

MSC Adviser and MSCC have entered into an agreement whereby MSCC provides MSC Adviser with asset management service support, including access to MSCC’s employees. Through this agreement, MSCC shares employees with MSC Adviser, including their related infrastructure, business relationships, management expertise and capital raising capabilities. In consideration of the shared services, MSC Adviser reimburses MSCC for the allocable portion of MSCC’s costs and related overhead in performing such services.

In providing services through MSC Adviser, the MSCC employees are supervised by MSC Adviser and subject to MSC Adviser’s compliance policies and procedures (and code of ethics) and to applicable provisions of the Advisers Act, consistent with the policies and procedures adopted by MSC Adviser in accordance with the Advisers Act. Clients will not be a party to any employment or personnel sharing arrangements between MSC Adviser and MSCC, and their respective employees or shared personnel, as applicable, which arrangements are in any event subject to change without notice to, or the consent of, any Client.

In light of the relationship between MSCC and MSC Adviser, there are various conflicts of interests among MSCC and MSC Adviser and its Clients. Furthermore, as discussed above, Clients are expected to invest primarily in investments of the type invested in by MSCC, and Main Street (and certain of its direct and indirect subsidiaries) could invest in the same investments as Clients. Please see Items 6 and 11 of this Brochure for further discussion, as well as the Client Documents for a discussion of the conflicts of interests relating to these investments.

#### MS Private Loan Fund I, LP (PL Fund)

PL Fund is a limited partnership with a General Partner that is an affiliate of MSC Adviser, and this relationship could cause conflicts of interest to arise that could impact the management of the PL Fund. As described in Item 6 of this Brochure, the General Partner can receive carried interest in connection with the services provided to the PL Fund, and the conflicts of interest created by performance-based fees are discussed further in response to Item 6 of this Brochure. MSC Adviser maintains policies and procedures reasonably designed to manage the conflicts of interest related to performance-based fees.

In addition, MSC Adviser’s related persons can invest in the PL Fund as discussed previously in Item 7 and further in Item 11 of this Brochure.

#### Other Relationships

While not related persons, Main Street has certain other relationships that it considers material to the advisory business or its Clients. Following are descriptions of these relationships:

## Investment Banking, Financial Advisory or Other Services Provided to Main Street

Main Street is a party to the Third Amended and Restated Credit Agreement, dated June 5, 2018, (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Main Street, as borrower, Main Street Capital Partners, LLC, Main Street Equity Interests, Inc., Main Street CA Lending, LLC and MS International Holdings, Inc., as guarantors, Truist Bank (“Truist”) (f/k/a Branch Banking and Trust Company), Frost Bank, Royal Bank of Canada, Sumitomo Mitsui Banking Corporation, Hancock Whitney Bank, ZB, N.A. dba Amegy Bank, Texas Capital Bank, N.A., Cadence Bank, N.A., Trustmark National Bank, BancorpSouth Bank, Comerica Bank, Raymond James Bank, N.A., BOKF, NA dba Bank of Texas, Woodforest National Bank, City National Bank, Veritex Community Bank, First National Bank of Pennsylvania, Mutual of Omaha Bank and First Financial Bank, N.A., collectively as lenders, and Truist, as administrative agent. Truist, Royal Bank of Canada, Comerica Bank, Raymond James Bank, N.A. and the other lenders under the Credit Agreement, and their respective affiliates, may from time to time receive customary fees and expenses in the performance of investment banking, financial advisory or other services for Main Street.

Additionally, Main Street has entered into an equity distribution agreement, dated August 15, 2019, with Comerica Securities, Inc. and equity distribution agreements, each dated May 16, 2019, with each of Truist Bank, RBC Capital Markets, LLC and Raymond James & Associates, Inc. relating to the offer and sale of shares of Main Street’s common stock in transactions that are deemed to be “at the market,” as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE.

Main Street believes that the arrangements with the entities described above do not give rise to a material conflict of interest between Main Street and any of its Clients.

Neither MSC Adviser nor any of its management persons are registered, nor have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither MSC Adviser nor any of its management persons are registered, nor have an application pending to register, as a futures commission merchant (FCM), commodity pool operator (CPO), commodity trading advisor (CTA), or an associated person of the foregoing entities.

MSC Adviser does not recommend or select other investment advisers for the Clients for which it receives compensation that create a material conflict of interest.

## **Item 11      Code of Ethics, Participation or Interest in Clients Transactions, and Personal Trading**

### **Code of Ethics and Personal Trading**

MSC Adviser has adopted a code of ethics (the “Code”) that is designed to ensure that MSC Adviser meets its own regulatory obligations and its fiduciary obligations with respect to Clients and establishes the standard of business conduct that must be followed by, among others, all partners, officers, personnel and employees of MSC Adviser (collectively “Supervised Persons”). The Code incorporates the following general principles, which all Supervised Persons are expected to uphold: act in the best interests of Clients; conduct personal securities transactions in a manner consistent with the Code, which seeks to address certain conflicts of interest in this regard; avoid taking any inappropriate advantage of one’s position at MSC Adviser; maintain confidentiality of information concerning MSC Adviser’s securities recommendations and portfolio holdings and transactions; and provide accurate disclosure in reports required by auditors, regulators, or government bodies.

MSC Adviser believes that these general principles not only help MSC Adviser fulfill its fiduciary obligations as an investment adviser, but also protect MSC Adviser’s reputation and instill in its Supervised Persons a commitment to honesty, integrity, and professionalism.

The Code also provides guidelines for Supervised Persons regarding adherence to securities laws and other regulatory requirements generally, including with respect to transactions in personal accounts involving public and private securities and commodities, activities outside of the investment adviser’s business, giving and receiving business-related gifts, and the maintenance and memorialization of certain family and/or close personal relationships as required by the Code, as well as certifying adherence to the Code annually. The Code forbids any Supervised Person from engaging in any insider trading or disclosing or using material non-public information in violation of applicable law. In addition, the Code requires that all Supervised Persons report Code violations and outlines potential sanctions for such violations. MSC Adviser’s Chief Compliance Officer is responsible for the Code’s administration, including without limitation the monitoring and review of personal securities transactions of Supervised Persons, and is available for any questions Supervised Persons have regarding the Code.

MSC Adviser will provide a copy of the Code to any Client or prospective Client (or current or prospective investor in a Client) upon request.

## **Participation or Interest in Client Transactions**

Main Street is an investment firm primarily focused on providing customized debt and equity financing to LMM companies, and debt capital to Middle Market companies. In its ordinary course of business, Main Street originates, holds, acquires, and sells existing and new investments for its Clients as well as for its own account. All or a substantial portion of Client investments could be comprised of investments that could also be held by Main Street. Certain of Main Street’s activities could present a potential conflict of interest. These activities include for example, advising other Clients, sponsoring other investment vehicles (including those with investment objectives similar to or overlapping with those of current Clients), making investments for its own accounts, or engaging in other lines of business. Clients (and investors in Clients) thus should



understand that various conflicts of interest can arise from the overall investment activity of Main Street. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all conflicts. Clients and investors in Clients should review Client Documents for additional information.

## MSC Adviser has Other Accounts and Competing Priorities

Although MSC Adviser expects to devote a substantial amount of time and effort to the business and affairs of each Client, it will also devote some amount of its working time and effort to other activities, which include generating new business. These other activities could require substantial commitments of time and resources by MSC Adviser. MSC Adviser and the Supervised Persons will endeavor to act in a manner that they consider fair, reasonable, and equitable in allocating their time and investment opportunities among Clients. There can also be certain cases where MSC Adviser, due to various activities on behalf of one or more other accounts, is restricted from effecting purchases and sales, resulting in limited liquidity for a Client. Other situations can occur where a Client could be disadvantaged because of the investment activities conducted by MSC Adviser for other accounts.

## Investment Allocation

As a fiduciary to its Clients, MSC Adviser has a duty to treat Clients fairly and equitably over time in the allocation of investment opportunities. Investment opportunities that are appropriate for a Client and other accounts will be allocated in accordance with MSC Adviser's investment allocation policy, and MSC Adviser may consider the Clients' relative size to each other subject to their available capital at the time of investment, and such matters as the nature and time horizon of the investment, suitability and portfolio positions of each of accounts and other entities for which participation is appropriate, including concentration, diversification, liquidity and other limitations, applicable tax and regulatory considerations and others, in the adviser's discretion but in all events on a fair and equitable basis. If an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the securities acquired will be allocated among the different accounts on a basis considered fair and equitable. In addition, Clients may invest in certain non-marketable securities that, given the nature of these instruments and differences in relative assets of the accounts, it might not be possible to allocate such an investment on a *pro rata* basis between these accounts. In such event, opportunities will be allocated such that all Clients are treated on a fair and equitable basis over time.

## Co-Investment

As previously discussed in Item 6 of this Brochure, Main Street is operating under an exemptive order from the SEC permitting co-investments by MSCC, MSIF and other Clients managed by Main Street in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. MSCC and MSIF have, and in the future intend to continue to make, such co-investments together in accordance with the conditions of the order. The order requires, among other things, that Main Street and MSC Adviser consider whether each such investment opportunity is appropriate for MSCC, MSIF and each Client and, if it is appropriate, to propose an allocation of the investment opportunity between MSCC, MSIF and any other



participating Client. Because MSC Adviser can receive performance-based fee compensation from Clients, this could provide it an incentive to allocate opportunities to MSIF or other Clients instead of MSCC. However, MSC Adviser has policies and procedures in place to manage this conflict.

With respect to the PL Fund, MSC Adviser may offer co-investment opportunities in circumstances where the size of a prospective investment is in excess of the amount MSC Adviser determines is appropriate for its Clients to invest due to concentration limits, risk considerations or other reasons. MSC Adviser may have a conflict in determining the portion of the investment a Client should retain for its own account and the portion that should be offered to other investors. MSC Adviser has no obligation to afford priority to existing Clients or investors in offering co-investments, nor to allocate a co-investment on a pro rata basis and may offer the opportunity to prospective investors where MSC Adviser determines it is appropriate to do so.

#### Loans to Clients

Main Street or its affiliates may, from time to time, make loans to Clients on terms believed to be fair, reasonable, and equitable and consistent with observed market terms. While the terms of any such loan will be determined pursuant to MSC Adviser's fiduciary duty to its Clients, the terms of any such loan will not be the result of an arm's-length negotiation and may not be as favorable to the Client as if they had been negotiated with an unaffiliated third party. In addition, MSC Adviser may choose not to enforce, or to enforce less vigorously, the Client's rights and remedies under any such loan because of its relationship to Main Street. Any such decision, however, would breach MSC Adviser's fiduciary obligations to the Client.

#### Investments in Client Securities

Main Street officers, directors, employees and other personnel may invest in Main Street's and Clients' securities when doing so is consistent with federal and state securities laws and pursuant to Main Street's Code of Ethics and Insider Trading Policy. While ownership of Main Street and Client securities generally aligns the interests of Main Street's officers, directors, employees and other personnel with that of its Clients, securities ownership could give Main Street's officers, directors, employees and other personnel an incentive to allocate opportunities to one Client over another. Main Street maintains policies and procedures in place to address the potential conflicts of interest that may arise, including Main Street's investment allocation policy.

#### Relationships with Portfolio Companies

Main Street could have ongoing relationships with, render services to, finance and engage in transactions with, and can own debt or equity securities issued by, obligors of certain portfolio companies or their affiliates. In these capacities or an equivalent function with respect to these investments that could be included in a Clients' assets, Main Street could have to take actions in connection therewith. The actions of Main Street or its portfolio companies in such instances may conflict with the interests of the Client.

#### Access to Material Non-Public Information

Main Street, MSC Adviser and its Supervised Persons can come into possession of information that could relate to a Client's assets or could elect to not receive such information. Such information might not be known to the individuals at MSC Adviser who are responsible for selecting or managing a Client's assets or could be subject to confidentiality or other legal restrictions. Such persons will not be required (and may not be permitted) to share such information or pass it along to the MSC Adviser or the Client. Further, Main Street will refrain from directing a Client transaction about which Main Street deems it has material non-public information. The inability to take action with respect to such information could positively or negatively impact any Client, depending on the action that could have been taken based upon such information.

## **Principal and Agency Cross Transactions**

MSC Adviser generally does not engage in principal transactions. To the limited extent it does, MSC Adviser does so in accordance with the requirements of the Advisers Act and neither MSC Adviser nor any related party receives any selling commissions or sales fees from any Clients in connection with these transactions.

To the extent permitted by applicable law and the applicable Client Documents, MSC Adviser can effect "cross transactions" between the Client Accounts where one Client sells a security to another Client. MSC Adviser would only recommend Clients enter into such transactions if the transactions are fair and equitable for each Client and at a price that MSC Adviser believes constitutes a fair valuation for both Clients as determined in accordance with MSC Adviser's policies and procedures and Client Documents. MSC Adviser will not engage in an agency cross transaction unless approval is obtained in accordance with its policies and procedures, and the Client Documents. Neither MSC Adviser nor any related party receives any commission or commission equivalent from any Clients in connection with these transactions.

For BDC Clients, participation in a principal or cross transaction would generally be prohibited under the 1940 Act, unless an exception or exemption applies. BDC Clients are subject to additional restrictions with respect to, among other things, portfolio management, the use of leverage, and conflicts of interest. Additional information about restrictions applicable to BDC Clients is disclosed to their investors in their Client Documents.

Disclosures regarding conflicts of interest and their mitigation or management generally will be contained in the applicable offering documents, this Brochure, and/or another document. Other documents, such as financial or periodic reports, furnished to investors also contain disclosure regarding conflicts of interest.

## **Item 12      Brokerage Practices**

### **Broker-Dealer Selection**

Since MSC Adviser generally acquires and disposes of investments in privately negotiated transactions,

broker-dealers and other intermediaries are infrequently used in the normal course of business. On the limited occasion that MSC Adviser executes a transaction in a publicly traded security, the investment team is primarily responsible for the selection of the broker used to execute the transaction and negotiates the brokerage commissions. If the investment team has the occasion to select a broker or dealer, it will seek to obtain best execution, i.e., the most favorable results reasonably attainable under the circumstances, taking into account a variety of factors, including price and costs as well as qualitative factors. In selecting brokers, MSC Adviser generally considers such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the broker and the broker's risk and skill in positioning blocks of securities. The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed and the extent to which it is possible to select from among multiple brokers or dealers. While broker or dealer fees are considered and assessed relative to market rates, MSC Adviser will not necessarily select the broker that offers the lowest spread or commission available, consistent with the duty to seek best execution.

## **Research and Soft Dollar Benefits**

Subject to applicable legal requirements, MSC Adviser could select a broker based partly upon the research or other products or services provided to it in connection with Client securities transactions ("soft dollar benefits"). In return for such services, a Client could pay a higher commission than another broker would charge, if it is determined in good faith that such commission is reasonable in relation to the brokerage services provided. When MSC Adviser uses client brokerage commissions (or markups or markdowns) to obtain soft dollar benefits, it saves time and resources, and this allows it to benefit in additional research, analysis, or execution facilities without any direct cost. MSC Adviser has an interest in receiving these soft dollar benefits and this interest conflicts with the Client's interest in receiving the most favorable execution. MSC Adviser can also cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). At the same time, soft dollar benefits also enhance MSC Adviser's investment decision-making or trade execution on behalf of Clients and are permissible in accordance with applicable law including the extent such research and services fall within Section 28(e) of the Securities Exchange Act of 1934.

If MSC Adviser receives soft dollar benefits, they will serve all Clients' accounts. Soft dollar benefits will be allocated to Client accounts proportionately to the soft dollar credits the accounts generate.

## **Order Aggregation**

If investment recommendations were to be made contemporaneously for multiple Clients in the same instrument, MSC Adviser may, if consistent with market conditions, portfolio characteristics, its investment allocation policy, and applicable law, including but not limited to, the 1940 Act, "bunch" or aggregate orders (including orders for Clients in which MSC Adviser, its related persons, and/or its personnel have beneficial

interests) for execution if, in MSC Adviser's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to a Client and/or MSC Adviser's other Clients. In doing so, MSC Adviser would evaluate whether the Client and/or MSC Adviser's other Clients will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors, and can aggregate an order based on these factors if doing so is permissible under each Client's advisory agreement. Such aggregated orders might facilitate execution and can reduce brokerage and other costs. MSC Adviser, however, is not required to bunch or aggregate orders. To the extent MSC Adviser does not aggregate a trade, the Client could pay higher costs and fees. If MSC Adviser is unable to or does not fully execute a bunched transaction or if MSC Adviser determines that it would be impractical to allocate a small number of positions among all of the accounts initially intended to participate in the transaction, MSC Adviser will allocate such positions in a manner determined in good faith to be an appropriate allocation.

MSC Adviser does not allocate brokerage transactions in exchange for Client referrals. MSC Adviser does not currently participate in directed brokerage.

## **Item 13      Review of Accounts**

MSC Adviser reviews Client portfolios routinely and at least quarterly, and when material changes occur. For the purposes of providing services to Clients, members of Main Street's investment committee, including Dwayne L. Hyzak, David L. Magdol, and Vincent D. Foster, provide continuous review of Client investments. Main Street's investment committee generally meets at least weekly to discuss existing Client investments as well as to review prospective investment opportunities. As part of its ongoing review process, Main Street regularly reviews certain documents prepared in the investment process, trade data, and other reports for overseeing the investment activity, trading activity, and loan origination performed on behalf of Clients.

BDC Clients receive quarterly written reports containing unaudited interim financial statements and an annual written report containing audited financial statements. These reports are included within certain regulatory filings, which are publicly available through the SEC's EDGAR system. Private Fund Clients will generally receive quarterly written reports and unaudited financial statements, and annual written audited financial statements within 120 days after each Private Fund's fiscal year-end (or as soon as reasonably practicable thereafter), subject to the provisions of each Private Fund's Client Documents.

## **Item 14      Client Referrals and Other Compensation**

MSC Adviser does not receive an economic benefit from anyone, other than the Clients, for providing investment advice or other advisory services to the Clients. Neither MSC Adviser nor any related person directly or indirectly compensates any person who is not a Supervised Person for advisory client referrals. MSC Adviser has not engaged external placement agents for placement of new fund interests into any Private Funds. The cost of using a placement agent would be borne by MSC Adviser and not by its Clients.

## **Item 15**      **Custody**

Pursuant to Advisers Act Rule 206(4)-2 (the “Custody Rule”), investment advisers who have actual or deemed custody of Client assets must comply with the Custody Rule. Except as permitted by the Advisers Act, cash and securities of Clients are maintained in accounts established with qualified custodians.

With respect to BDC Clients, MSC Adviser is not deemed to have custody of such Clients’ assets under the Custody Rule.

With respect to the Private Fund Clients, MSC Adviser and its affiliates could be deemed to have custody the PL Fund’s. MSC Adviser provides investment advice to its Private Fund Clients, which generally invest in non-transferable privately placed certificated and uncertificated investments purchased from the issuer, which are not required to be held by a qualified custodian under certain circumstances. If the Private Fund comes into possession of a security or cash, such assets are maintained with a qualified custodian engaged on or behalf of the Private Fund. Private Fund investors do not receive account statements from the custodian. Instead, audited annual financial statements for the Private Fund will be prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. MSC Adviser will generally distribute those audited financial statements to all limited partners within 120 days of the end of the Private Fund’s fiscal year (or as soon as reasonably practicable thereafter). Investors should carefully review those financial statements. Upon liquidation of the Private Fund, MSC Adviser will distribute its audited financial statements prepared in accordance with GAAP to all investors promptly after the completion of such audit. If a qualified custodian sends quarterly (or more frequent) account statements to an investor, the investor should review those statements and compare them to any statements the investor has received from MSC Adviser.

## **Item 16**      **Investment Discretion**

MSC Adviser generally provides advice to its Clients on a discretionary basis, meaning it has control of the Client and all rights and powers necessary to carry out the vehicle’s investment management and trading activities. MSC Adviser will enter into an investment management agreement and other Client Documents with respect to the Client prior to assuming this authority. The investment management agreement and other Client Documents also set forth any restrictions on this authority.

## **Item 17**      **Voting Client Securities**

MSC Adviser’s portfolio investments generally do not give rise to proxy voting; however, it may happen, and in certain circumstances, MSC Adviser could be required to approve changes to governance items related to underlying investments whereby the consent of MSC Adviser’s Clients is required. MSC Adviser recognizes

that it must vote Client interests in a timely manner in the best interest of its Clients. Accordingly, MSC Adviser has adopted proxy voting policies and procedures for voting proxies that are intended to comply with the Advisers Act. In such cases, MSC Adviser has adopted a proxy voting policy in which it seeks (i) to address conflicts of interest between MSC Adviser and its Clients, and (ii) to vote proxies in the best interests of its Clients.

Clients may obtain information about how MSC Adviser voted proxies and its proxy voting policies and procedures by making a written request to: Chief Compliance Officer, c/o MSC Adviser I, LLC, 1300 Post Oak Boulevard, 8th Floor, Houston, TX 77056.

## **Item 18**      **Financial Information**

Not applicable.