

MONROE CAPITAL Corp  
Form 497  
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**PROSPECTUS SUPPLEMENT**  
**(To Prospectus dated April 28, 2017)**

**Monroe Capital Corporation**

**\$50,000,000**

**Common Stock**

We are a specialty finance company focused on providing financing primarily to lower middle-market companies in the United States and Canada. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through investment in senior, unitranche and junior secured debt and, to a lesser extent, unsecured subordinated debt and equity investments. We use our extensive leveraged finance origination infrastructure and broad expertise in sourcing loans to invest in primarily senior, unitranche and junior secured debt of middle-market companies.

We invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities are often referred to as high yield or junk. In addition, many of the debt securities we hold do not fully amortize prior to maturity, which heightens the risk that we may lose all or a part of our investment.

Monroe Capital BDC Advisors, LLC serves as our investment advisor. Monroe Capital Management Advisors, LLC serves as our administrator. Each of Monroe Capital BDC Advisors, LLC and Monroe Capital Management Advisors, LLC is affiliated with Monroe Capital, LLC, a leading lender to middle-market companies.

We have entered into separate equity distribution agreements, each dated May 12, 2017, with B. Riley FBR, Inc., as successor by merger to FBR Capital Markets & Co. ( B. Riley FBR ), and JMP Securities LLC ( JMP Securities ). B. Riley FBR, together with JMP Securities, are herein referred to individually as a Sales Agent and together, the Sales Agents. The equity distribution agreement with JMP Securities and the equity distribution agreement with B. Riley FBR relate to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. The equity distribution agreements provide that we may offer and sell up to \$50,000,000 of our common stock from time to time through the Sales Agents in negotiated transactions or transactions that are deemed to be at the market offerings, as defined in Rule 415 under the Securities Act of 1933, as amended. As of the date of this prospectus supplement, we have not sold any shares of our common stock under the equity distribution agreements.

Our common stock is listed on The Nasdaq Global Select Market under the symbol MRCC. On November 15, 2017, the last reported sale price of our stock on The Nasdaq Global Select Market was \$14.13 per share. Our net asset value as of September 30, 2017 was \$14.01 per share.

Under the terms of the equity distribution agreements, the Sales Agents will receive a commission from us of up to 2.0% of the gross sales price of any shares of our common stock sold through the Sales Agents under the equity distribution agreements. The Sales Agents are not required to sell any specific number or dollar amount of common stock, but will use their commercially reasonable efforts consistent with their sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. For all fees and expenses paid to the Sales Agents, see Plan of Distribution beginning on page S-43 of this prospectus supplement.

**Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering.** On June 21, 2017, our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of twelve months subject to certain conditions. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See Sale of Common Stock Below Net Asset Value in this prospectus supplement and Risk Factors and Sales of Common Stock Below Net Asset Value in the accompanying prospectus.

**An investment in our securities is subject to risks, including a risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. We are an emerging growth company under the federal securities laws and are subject to reduced public company reporting requirements. Substantially all of the debt instruments in which we invest (i) have and will have variable interest rate provisions that may make it more difficult for borrowers to make debt repayments to us in a rising interest rate environment and (ii) will likely have a principal amount outstanding at maturity, that may lead to a substantial loss to us if the borrower is unable to refinance or repay. See Risk Factors beginning on page 13 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our securities.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. This information is available free of charge by contacting us at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, Attention: Investor Relations, by calling us collect at (312) 258-8300, or on our website at [www.monroebdc.com](http://www.monroebdc.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

B. Riley FBR

JMP Securities

Prospectus supplement dated November 16, 2017

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the common stock and also adds to and updates information contained in the accompanying prospectus.

The second part is the accompanying prospectus, which gives more general information and disclosures. For information about our common stock see "Description of Our Capital Stock" in the accompanying prospectus.

To the extent information differs between this prospectus supplement and the accompanying prospectus, you should rely only on such information in this prospectus supplement. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading "Available Information" before investing in our common stock.

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and B. Riley FBR and JMP Securities have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and B. Riley FBR and JMP Securities are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sales of the securities. Our business, financial condition, results of operations and prospects may have changed since those dates.**

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## SUMMARY

*This summary highlights some of the information in this prospectus supplement. This summary is not complete and may not contain all of the information that you may want to consider before investing in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including, in particular, the more detailed information set forth under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**As used in this prospectus supplement, except as otherwise indicated, the terms:**

*we, us and our refer to Monroe Capital Corporation, a Maryland corporation; MC Advisors refers to Monroe Capital BDC Advisors, LLC, our investment advisor and a Delaware limited liability company; MC Management refers to Monroe Capital Management Advisors, LLC, our administrator and a Delaware limited liability company; Monroe Capital refers to Monroe Capital LLC, a Delaware limited liability company, and its subsidiaries and affiliates; MRCC SBIC refers to Monroe Capital Corporation SBIC, LP, a Delaware limited partnership, our wholly-owned subsidiary that operates as a small business investment company pursuant to a license received from the United States Small Business Administration; and LIBOR refers to the one-month, three-month or six-month London Interbank Offered Rate as reported by the British Bankers' Association. Unless stated otherwise herein, LIBOR refers to the one-month rate.*

### Monroe Capital Corporation

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act, and that has elected to be treated as a regulated investment company, or RIC, for tax purposes under the U.S. Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2012. We provide customized financing solutions to lower middle-market companies in the United States and Canada focused primarily on senior secured, junior secured and unitranche (a combination of senior secured and junior secured debt in the same facility in which we syndicate a first out portion of the loan to an investor and retain a last out portion of the loan) debt and, to a lesser extent, unsecured subordinated debt and equity, including equity co-investments in preferred and common stock and warrants.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through investment in senior, unitranche and junior secured debt and, to a lesser extent, unsecured subordinated debt and equity investments. We seek to use our extensive leveraged finance origination infrastructure and broad expertise in sourcing loans to invest in primarily senior, unitranche and junior secured debt of middle-market companies. We believe that our primary focus on lending to lower middle-market companies offers several advantages as compared to lending to larger companies, including more attractive economics, lower leverage, more comprehensive and restrictive covenants, more expansive events of default, relatively small debt facilities that provide us with enhanced influence over our borrowers, direct access to borrower management and improved information flow.

In this prospectus supplement and the accompanying prospectus, the term middle-market generally refers to companies having annual revenue of between \$20 million and \$500 million and/or annual earnings before interest,

taxes, depreciation and amortization, or EBITDA, of between \$3 million and \$50 million. Within the middle-market, we consider companies having annual revenues of less than \$250 million and/or EBITDA of less than \$25 million to be in the lower middle-market.

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## Portfolio Update

Since the consummation of the initial public offering in October 2012, we have grown the fair value of our portfolio of investments to approximately \$431.1 million as of September 30, 2017. As of September 30, 2017, our portfolio consisted of 66 different portfolio companies, comprised of approximately 76.1% senior secured debt, 10.4% unitranche secured debt, 8.9% junior secured debt and 4.6% equity securities. As of September 30, 2017, the weighted average annualized effective yield on portfolio investments (which represents the expected annualized effective yield to be generated by us on our portfolio based on the composition of our portfolio as of such date) prior to leverage was 9.9% based on the par value of our debt investments and the cost basis of our preferred equity investments. For the nine months ended September 30, 2017, our total return based on net asset value was 3.78% and our total return based on market value was (0.29)%.

Our weighted average annualized effective yield on portfolio investments may be higher than an investor's yield on an investment in shares of our common stock. The weighted average annualized effective yield on portfolio investments is a metric on the investment portfolio alone and does not represent a return to stockholders. This metric is not inclusive of our fees and expenses, the impact of leverage on the portfolio or sales load that may be paid by investors.

In addition, total return figures disclosed above do not consider the effect of any sales load that may be incurred in connection with the sale of shares of our common stock. Our estimated weighted average annualized effective yield on portfolio investments and total return based on net asset value do not represent actual investment returns to stockholders. Our weighted average annualized effective yield on portfolio investments and total return figures are subject to change and, in the future, may be greater or less than the rates set forth above. See "Risk Factors" in the accompanying prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements. See footnotes 4, 5 and 6 to the table included in "Selected Consolidated Financial Data" for information regarding the calculation of our total return based on market value, total return based on average net asset value, and weighted average annualized effective yield on portfolio investments, respectively.

## Our Investment Advisor

Our investment activities are managed by our investment advisor, MC Advisors. MC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and their private equity sponsors, analyzing investment opportunities, structuring our investments and managing our investments and portfolio companies on an ongoing basis. MC Advisors was organized in February 2011 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act.

Under the investment advisory and management agreement with MC Advisors, or the Investment Advisory Agreement, we pay MC Advisors a base management fee and an incentive fee for its services. See "Management and Other Agreements" Investment Advisory Agreement Management and Incentive Fee for a discussion of the base management fee and incentive fee payable by us to MC Advisors. While not expected to review or approve each investment, our independent directors periodically review MC Advisors' services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate.

MC Advisors seeks to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of Monroe Capital's investment professionals.

The senior management team of Monroe Capital, including Theodore L. Koenig and Aaron D. Peck, provides investment services to MC Advisors pursuant to a staffing agreement, or the Staffing Agreement, between MC Management, an affiliate of Monroe Capital, and MC Advisors. Messrs. Koenig and Peck have developed a broad

network of contacts within the investment community and average more than 25 years of experience investing in debt and equity securities of lower middle-market companies. In addition, Messrs. Koenig and Peck have extensive experience investing in assets that constitute our primary focus and have expertise in investing throughout all periods of the economic cycle. MC Advisors is an affiliate of Monroe Capital and is supported by experienced investment professionals of Monroe Capital under the terms of the Staffing Agreement. Monroe Capital's core team of investment professionals has an established track record in sourcing, underwriting, executing and monitoring transactions. From Monroe Capital's formation in

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2004 through September 30, 2017, Monroe Capital's investment professionals invested in over 1,150 loan and related investments with an aggregate principal value of over \$7.5 billion.

In addition to their roles with Monroe Capital and MC Advisors, Messrs. Koenig and Peck serve as interested directors of ours. Mr. Koenig has more than 25 years of experience in structuring, negotiating and closing transactions on behalf of asset-backed lenders, commercial finance companies, financial institutions and private equity investors at organizations including Monroe Capital, which Mr. Koenig founded in 2004, and Hilco Capital LP, where he led investments in over 20 companies in the lower middle-market. Mr. Peck has more than 20 years of public company management, leveraged finance and commercial lending experience at organizations including Deerfield Capital Management LLC, Black Diamond Capital Management LLC and Salomon Smith Barney Inc.

Messrs. Koenig and Peck are joined on the investment committee of MC Advisors by Michael J. Egan and Jeremy T. VanDerMeid, each of whom is a senior investment professional at Monroe Capital. Mr. Egan has more than 25 years of experience in commercial finance, credit administration and banking at organizations including Hilco Capital, The CIT Group/Business Credit, Inc., The National Community Bank of New Jersey (The Bank of New York) and KeyCorp. Mr. VanDerMeid has more than 15 years of lending and corporate finance experience at organizations including Morgan Stanley Investment Management, Dymas Capital Management Company, LLC and Heller Financial.

## **About Monroe Capital**

Monroe Capital, a Delaware limited liability company that was founded in 2004, is a leading lender to middle-market companies. As of September 30, 2017, Monroe Capital had approximately \$4.7 billion in assets under management. Monroe Capital has maintained a continued lending presence in the lower middle-market throughout the most recent economic downturn. The result is an established lending platform that we believe generates consistent primary and secondary deal flow from a network of proprietary relationships and additional deal flow from a diverse portfolio of over 435 current investments. From Monroe Capital's formation in 2004 through September 30, 2017, Monroe Capital's investment professionals invested in over 1,150 loan and related investments with an aggregate principal value of over \$7.5 billion. The senior investment team of Monroe Capital averages more than 20 years of experience and has developed a proven investment and portfolio management process that has performed through multiple market cycles. In addition, Monroe Capital's investment professionals are supported by administrative and back-office personnel focused on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

## **Market Opportunity**

We invest primarily in senior, unitranche and junior secured debt issued to lower middle-market companies in the United States and, to a lesser extent and in accordance with the limitations on foreign investments in the 1940 Act, Canada. We believe that U.S. and Canadian lower middle-market companies comprise a large, growing and fragmented market that offers attractive financing opportunities. We believe that there exists a large number of prospective lending opportunities for lenders, which should allow us to generate substantial investment opportunities and build an attractive portfolio of investments.

## **Investment Strategy**

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation primarily through investments in senior, unitranche and junior secured debt and, to a lesser extent, unsecured subordinated debt and equity. We also seek to invest opportunistically in attractively priced, broadly syndicated loans, which should enhance our geographic and industry portfolio diversification and increase our portfolio's liquidity. We do not target any specific industry, however, as of September 30, 2017, our investments in the healthcare & pharmaceuticals and banking, finance, insurance & real estate industries represented approximately 15.4%, and 10.9%, respectively, of the fair value of our portfolio. To achieve our investment objective, we utilize the following investment strategy:

***Attractive Current Yield on Investment Portfolio.*** We believe our sourcing network allows us to enter into transactions with attractive yields and investment structures. Based on current market conditions and our pipeline of new investments, we expect our target directly originated senior and unitranche secured debt will

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have an average maturity of three to five years and interest rates of 8% to 13%, and we expect our target directly originated junior secured debt and unsecured subordinated debt will have an average maturity of four to seven years and interest rates of 10% to 15%. In addition, based on current market conditions and our pipeline of new investments, we expect that our target debt investments will typically have a variable coupon (with a LIBOR floor) and may include payment-in-kind, or PIK, interest (interest that is not received in cash, but added to the principal balance of the loan), and that we will typically receive upfront closing fees of 1% to 4%. We may also receive warrants or other forms of upside equity participation. Our transactions are generally secured and supported by a lien on all assets and/or a pledge of company stock in order to provide priority of return and to influence any corporate actions. Although we will target investments with the characteristics described in this paragraph, we cannot assure you that our new investments will have these characteristics and we may enter into investments with different characteristics as the market dictates. For a description of the characteristics of our current investment portfolio, see Management's Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity. Until investment opportunities can be found, we may invest our undeployed capital in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Use of Proceeds.

***Sound Portfolio Construction.*** We strive to exercise discipline in portfolio creation and management and to implement effective governance throughout our business. Monroe Capital has been, and MC Advisors, which is comprised of substantially the same investment professionals who have operated Monroe Capital, is, and we believe will continue to be, conservative in the underwriting and structuring of covenant packages in order to enable early intervention in the event of weak financial performance by a portfolio company. We seek to pursue lending opportunities selectively and to maintain a diversified portfolio. We believe that exercising disciplined portfolio management through continued intensive account monitoring and timely and relevant management reporting allows us to mitigate risks in our debt investments. In addition, we have implemented rigorous governance processes through segregation of duties, documented policies and procedures and independent oversight and review of transactions, which we believe helps us to maintain a low level of non-performing loans. We believe that Monroe Capital's proven process of thorough origination, conservative underwriting, due diligence and structuring, combined with careful account management and diversification, enabled it to protect investor capital, and we believe MC Advisors follows and will follow the same philosophy and processes in originating, structuring and managing our portfolio investments.

***Predictability of Returns.*** Beyond conservative structuring and protection of capital, we seek a predictable exit from our investments. We seek to invest in situations where there are a number of potential exit options that can result in full repayment or a modest refinance of our investment. We seek to structure the majority of our transactions as secured loans with a covenant package that provides for full or partial repayment upon the completion of asset sales and restructurings. Because we seek to structure these transactions to provide for contractually determined, periodic payments of principal and interest, we are less likely to depend on merger and acquisition activity or public equity markets to exit our debt investments. As a result, we believe that we can achieve our target returns even in a period when public markets are depressed.

## **Competitive Strengths**

We believe that we represent an attractive investment opportunity for the following reasons:

***Deep, Experienced Management Team.*** We are managed by MC Advisors, which has access through the Staffing Agreement to Monroe Capital's experienced team comprised of over 80 professionals, including seven senior partners that average more than 25 years of direct lending experience. We are led by our Chairman and Chief Executive

Officer, Theodore L. Koenig, and Aaron D. Peck, our Chief Financial Officer and Chief Investment Officer. This extensive experience includes the management of investments with borrowers of varying credit profiles and transactions completed in all phases of the credit cycle. Monroe Capital's senior investment professionals provide us with a difficult-to-replicate sourcing network and a broad range of transactional, financial, managerial and investment skills. This expertise and experience is supported by administrative and back office personnel focused on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

From Monroe Capital's formation in

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2004 through September 30, 2017, Monroe Capital's investment professionals invested in more than 1,150 loan and related investments with an aggregate principal value of over \$7.5 billion.

***Differentiated Relationship-Based Sourcing Network.*** We believe Monroe Capital's senior investment professionals benefit from extensive relationships with commercial banks, private equity firms, financial intermediaries, management teams and turn-around advisors. We believe that this broad sourcing network differentiates us from our competitors and offers us a diversified origination approach that does not rely on a single channel and offers us consistent deal flow throughout the economic cycle. We also believe that this broad network allows us to originate a substantial number of non-private equity-sponsored investments.

***Extensive Institutional Platform for Originating Middle-Market Deal Flow.*** Monroe Capital's broad network of relationships and significant origination resources enable us to review numerous lending opportunities, permitting us to exercise a high degree of selectivity in terms of loans to which we ultimately commit. Monroe Capital estimates that it reviewed approximately 2,000 investment opportunities during 2016. Monroe Capital's over 1,150 previously executed transactions, over 435 of which are with current borrowers, offer us another source of deal flow, as these debt investments reach maturity or seek refinancing. We are also positioned to benefit from Monroe Capital's established brand name, strong track record in partnering with industry participants and reputation for closing deals on time and as committed. Monroe Capital's senior investment professionals are complemented by extensive experience in capital markets transactions, risk management and portfolio monitoring.

***Disciplined, Credit-First Underwriting Process.*** Monroe Capital has developed a systematic underwriting process that applies a consistent approach to credit review and approval, with a focus on evaluating credit first and then appropriately assessing the risk-reward profile of each loan. MC Advisors' assessment of credit outweighs pricing and other considerations, as we seek to minimize potential credit losses through effective due diligence, structuring and covenant design. MC Advisors seeks to customize each transaction structure and financial covenant to reflect risks identified through the underwriting and due diligence process. We also seek to actively manage our origination and credit underwriting activities through personal visits and calls on all parties involved with an investment, including the management team, private equity sponsors, if any, and other lenders.

***Established Credit Risk Management Framework.*** We seek to manage our credit risk through a well-defined portfolio strategy and credit policy. In terms of credit monitoring, MC Advisors assigns each loan to a particular portfolio management professional and maintains an internal credit rating analysis for all loans. MC Advisors then employs ongoing review and analysis, together with monthly investment committee meetings to review the status of certain complex and challenging loans and a comprehensive quarterly review of all loan transactions. MC Advisors' investment professionals also have significant turnaround and debt work-out experience, which gives them perspective on the risks and possibilities throughout the entire credit cycle. We believe this careful approach to investment and monitoring enables us to identify problems early and gives us an opportunity to assist borrowers before they face difficult liquidity constraints. By anticipating possible negative contingencies and preparing for them, we believe that we diminish the probability of underperforming assets and loan losses.

## **Credit Facility**

We have a credit facility with ING Capital LLC, or the Lender, as agent, which currently consists of a revolving line of credit of \$200.0 million, which may be increased to up to \$300.0 million pursuant to an accordion feature.





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We may make draws under the revolver from time-to-time through December 2019 to make or purchase additional investments or for general working capital purposes until the maturity date of the credit facility, or the earliest to occur of (a) December 14, 2020, subject to extension as mutually agreed by us and the Lender, (b) the termination of the facility in accordance with its terms or (c) any other date mutually agreed to by us and the Lender. The revolving credit facility is secured by a lien on all of our assets, including cash on hand, but excluding the assets of our wholly-owned subsidiary, MRCC SBIC. The material terms of the credit facility are as follows:

total borrowing capacity currently equal to \$200.0 million and up to \$300.0 million pursuant to an accordion feature, subject to, among other things, availability under a defined borrowing base, which varies based on our portfolio characteristics and certain eligibility criteria and concentration limits, as well as valuation methodologies; an interest rate equal to, at our election, (a) LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% per annum, or (b) a daily rate equal to 2.00% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%; the LIBOR rate on the revolving credit facility was reduced to LIBOR plus 2.75% from LIBOR plus 3.00% in conjunction with our capital raise on June 9, 2017, as net worth (excluding investments in MRCC SBIC) exceeded \$225.0 million; in addition to the stated interest rate on borrowings under the revolving credit facility, we are required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing; and

customary financial covenants and negative covenants and events of default.

As of September 30, 2017, we had U.S. dollar borrowings of \$58.2 million and non-U.S. dollar borrowings denominated in Great Britain pounds of £1.8 million (\$2.4 million in U.S. dollars) under our revolving credit facility and availability of \$139.4 million.

## **MRCC SBIC**

On February 28, 2014, our wholly-owned subsidiary, MRCC SBIC, received a license from the U.S. Small Business Administration ( SBA ) to operate as a Small Business Investment Company ( SBIC ) under Section 301(c) of the Small Business Investment Company Act of 1958. MRCC SBIC commenced operations on September 16, 2013. As our wholly-owned subsidiary, MRCC SBIC relies on one or more exclusions from the definition of investment company under the 1940 Act and does not elect to be regulated as business development company under the 1940 Act. MRCC SBIC has an investment objective substantially similar to ours and makes similar types of investments in accordance with SBIC regulations.

As of September 30, 2017, MRCC SBIC had \$57.6 million in leveragable capital (approximately 12.9% of our total assets) and \$92.1 million in SBA-guaranteed debentures outstanding. On April 13, 2016, MRCC SBIC was approved by the SBA for an additional \$75.0 million in SBA-guaranteed debentures, for a total of \$115.0 million in available debentures.

We have received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities for the purposes of the 200% asset coverage ratio we are required to maintain under the 1940 Act, which provides us with increased flexibility, but also increases our risks associated with leverage.

## Operating and Regulatory Structure

Our investment activities are managed by MC Advisors under the direction of our board of directors, a majority of whom are independent of us, MC Advisors and our and its respective affiliates.

As a business development company, we are required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of notes, other borrowings and shares of preferred stock, our ability to use leverage is limited in significant

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respects. See Regulation in the accompanying prospectus. Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See Risk Factors Risks Relating to Our Business and Structure We maintain a revolving credit facility and may use other borrowed funds to make investments or fund our business operations, which exposes us to risks typically associated with leverage and increases the risk of investing in us in the accompanying prospectus.

Also, as a business development company, we are generally prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt instruments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (a) private domestic operating companies, (b) public domestic operating companies whose securities are not listed on a national securities exchange (*e.g.*, The Nasdaq Global Market) or registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and (c) public domestic operating companies having a market capitalization of less than \$250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board or through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies. See Regulation in the accompanying prospectus. Additionally, to the extent we invest in the securities of companies domiciled in or with their principal places of business outside of the United States, we seek to limit those investments to companies domiciled or with their principal place of business in Canada. Any investments in Canadian companies will not be qualifying assets, meaning that in accordance with the 1940 Act, we cannot invest more than 30% of our assets in Canadian securities and other non-qualifying assets.

We have elected to be treated for U.S. federal income tax purposes as a RIC under the Code. In order to continue to qualify to be treated as a RIC, we must satisfy certain source of income, asset diversification and distribution requirements. See Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

## **Conflicts of Interests**

Subject to certain 1940 Act restrictions on co-investments with affiliates, MC Advisors has agreed to offer us the right to participate in all investment opportunities that it determines are appropriate for us in view of our investment objective, policies and strategies and other relevant factors. These offers are subject to the exception that, in accordance with MC Advisors' conflict of interest and allocation policies, we might not participate in each individual opportunity but are entitled, on an overall basis, to participate equitably with other entities sponsored or managed by MC Advisors and its affiliates.

Affiliates of MC Advisors manage other assets in four closed-end funds, two additional small business investment companies and nine private funds that also have an investment strategy focused primarily on senior, unitranche, and junior secured debt and, to a lesser extent, unsecured subordinated debt to lower middle-market companies. In addition, MC Advisors and/or its affiliates may manage other entities in the future with an investment focus similar to ours. To the extent that we compete with entities managed by MC Advisors or any of its affiliates for a particular investment opportunity, MC Advisors seeks to allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (a) its internal conflict of interest and allocation policies, (b) the requirements of the Advisers Act and (c) certain restrictions under the 1940 Act and rules thereunder regarding co-investments with affiliates. MC Advisors' allocation policies are intended to ensure that we may generally share equitably with other investment funds or other investment vehicles managed by MC Advisors or its affiliates in investment opportunities, particularly those involving a security with limited supply or involving differing classes of

securities of the same issuer, which may be suitable for us and such other investment funds or other investment vehicles.

MC Advisors and/or its affiliates may in the future sponsor or manage investment funds, accounts or other investment vehicles with similar or overlapping investment strategies, and MC Advisors has put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act. MC Advisors seeks to ensure an equitable allocation of investment opportunities when we are able to invest

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alongside other accounts managed by MC Advisors and its affiliates. We received exemptive relief from the SEC on October 15, 2014 that permits us greater flexibility relating to co-investments, subject to certain conditions. When we invest alongside such other accounts as permitted under the 1940 Act, pursuant to SEC staff interpretations or our exemptive relief from the SEC that permits greater flexibility relating to co-investments, such investments will be made consistent with such relief and MC Advisors' allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by MC Advisors and approved by our board of directors, including a majority of our independent directors. The allocation policy provides that allocations among us and other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by our board of directors, including a majority of our independent directors. It is our policy to base our determinations as to the amount of capital available for investment on such factors as the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors, or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts. In situations where co-investment with other entities sponsored or managed by MC Advisors or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, MC Advisors will need to decide whether we or such other entity or entities will proceed with the investment. MC Advisors will make these determinations based on its policies and procedures, which will generally require that such opportunities be offered to eligible accounts on a basis that is fair and equitable over time, including, for example, through random or rotational methods.

## **Corporate History and Additional Information**

We were incorporated under the laws of Maryland on February 9, 2011. Our principal executive offices are located at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, and our telephone number is (312) 258-8300. We maintain a website at [www.monroebdc.com](http://www.monroebdc.com) and make all of our periodic and current reports, proxy statements and other information available, free of charge, on or through our website. Information on our website is not incorporated into or part of this prospectus supplement or the accompanying prospectus. You may also obtain such information free of charge by contacting us in writing at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, attention: Investor Relations.

We have filed with the SEC a registration statement on Form N-2, of which this prospectus supplement is a part, under the Securities Act of 1933, as amended, or the Securities Act. This registration statement contains additional information about us and the securities being offered by this prospectus supplement. We also file periodic reports, current reports, proxy statements and other information with the SEC. This information is available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549 and on the SEC's website at [www.sec.gov](http://www.sec.gov). Information on the operation of the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

## **Implications of Being an Emerging Growth Company**

We qualify as an emerging growth company as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced reporting requirements and are relieved of certain other significant requirements that are otherwise generally applicable to public companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments

not previously approved. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the prices of our securities may be more volatile.

In addition, Section 7(a)(2)(B) of the Securities Act and Section 13(a) of the Exchange Act, as amended by Section 102(b) of the JOBS Act, provide that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. However, pursuant to Section 107 of the JOBS Act, we have chosen to opt out of such extended transition period, and as a result,

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we comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We may take advantage of these provisions until December 31, 2017 or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenues, have more than \$700 million in market value of our common stock held by non-affiliates or issue more than \$1.0 billion of non-convertible debt over a three-year period.

## **Sale of Common Stock Below NAV**

We may offer, and have in the past offered, shares of our common stock at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders on June 21, 2017, July 14, 2016, June 24, 2015, June 27, 2014 and July 9, 2013. Our board of directors has in the past determined that it would be in our and our stockholders' best interests to issue shares of our common stock below net asset value. See *Sale of Common Stock Below Net Asset Value* in this prospectus supplement, *Risk Factors* on page 13 of the accompanying prospectus and *Sales of Common Stock Below Net Asset Value* on page 111 of the accompanying prospectus.

## **Risk Factors**

The value of our assets, as well as the market price of our shares will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. A material portion of our portfolio may have exposure to specific industries. See *Risk Factors* beginning on page 13 of the accompanying prospectus for a more detailed discussion of the material risks you should carefully consider before deciding to invest in our common stock.

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## THE OFFERING

### Common Stock Offered by Us

Shares of our common stock having an aggregate offering price of up to \$50,000,000.

### Manner of Offering

At the market offerings that may be made from time to time through B. Riley FBR, Inc. and JMP Securities LLC, each a Sales Agent and, collectively, the Sales Agents, using commercially reasonable efforts. See Plan of Distribution.

### Use of Proceeds

We intend to use the net proceeds of this offering to invest in portfolio companies in accordance with our investment objectives and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses from the net proceeds of this offering. Pending such investments, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Use of Proceeds.

### Symbol on The Nasdaq Global Select Market

MRCC

### Distributions

To the extent we have income and cash available, we intend to make quarterly distributions to our stockholders. Our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

### Taxation

We have elected and intend to continue to qualify as a RIC under the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gain that we distribute to our stockholders. To obtain and maintain RIC tax status, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. Because most of our income will not be attributable to dividends, such income will not be taxable at more favorable rates for qualified dividend income. Distributions made to you will generally be taxed as ordinary income or as capital gains.

### Leverage

As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, increase the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. With certain limited exceptions, we are currently only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after such borrowing. In addition, the costs associated with our borrowings, if any, including any increase in the management fee payable to MC Advisors, will be borne by our common stockholders.

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We have received exemptive relief from the Securities and Exchange Commission to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities for the purposes of the 200% asset coverage ratio we are required to maintain under the 1940 Act, which provides us with increased flexibility, but also increases our risks associated with leverage.

As of September 30, 2017, we had debt outstanding under the revolving loan portion of the credit facility of approximately \$60.6 million and SBA-guaranteed debentures outstanding of \$92.1 million.

Trading

Shares of closed-end investment companies, including business development companies, frequently trade in the secondary market at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at, or below net asset value.

Sales of common stock below net asset value

Generally, the offering price per share of our common stock, exclusive of any underwriting commissions or discounts, may not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders and approval of our board of directors, including the approval of a majority of our independent directors, or (3) under such circumstances as the SEC may permit.

On June 21, 2017, our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of twelve months subject to approval by our board of directors. Sales or other issuances by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

Risk Factors

An investment in our common stock is subject to risks. See Risk Factors beginning on page 13 of the accompanying prospectus to read about factors you should consider before deciding to invest in shares of our common stock.

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The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and actual amounts and percentages may vary. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying prospectus contain a reference to fees or expenses paid by you, us, the Company or Monroe Capital Corporation, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Monroe Capital Corporation.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	2.00 % <sup>(1)</sup>
Offering expenses (as a percentage of offering price)	0.50 % <sup>(2)</sup>
Dividend reinvestment plan expenses	% <sup>(3)</sup>
Total stockholder transaction expenses (as a percentage of offering price)	2.50 %
Estimated annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	2.75 % <sup>(4)</sup>
Incentive fees payable under the Investment Advisory Agreement	2.42 % <sup>(5)</sup>
Interest payments on borrowed funds	2.69 % <sup>(6)</sup>
Other expenses (estimated)	1.41 % <sup>(7)</sup>
Total annual expenses (estimated)	9.27 % <sup>(8)</sup>

Represents the commission with respect to the shares of common stock being sold in this offering. There is no (1) guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately \$250,000.

(3) The expenses of the dividend reinvestment plan are included in other expenses. See Dividend Reinvestment Plan. Our base management fee is 1.75% of our total assets (which includes assets purchased with borrowed amounts but does not include cash and cash equivalents). For the purposes of this table, we have assumed that the base management fee will remain at 1.75% as set forth in the Investment Advisory Agreement. We may from time to time decide it is appropriate to change the terms of the Investment Advisory Agreement. Under the 1940 Act, any material change to the Investment Advisory Agreement generally must be submitted to our stockholders for approval. The base management fee percentage is calculated as a percentage of net assets attributable to common (4) stockholders, rather than total assets, including assets that have been funded with borrowed monies, because common stockholders bear all of this cost. The base management fee in the table above assumes the base management fee remains consistent with fees incurred for the three months ended September 30, 2017 of \$2.0 million, based on average total assets (excluding cash) for the period of \$442.8 million, as a percentage of our average net assets for the period of \$283.9 million. See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

Estimated assuming that annual incentive fees earned by MC Advisors remains consistent with the incentive fees (5) earned for the three months ended September 30, 2017 of \$1.7 million, as a percentage of our average net assets of \$283.9 million for the period.

The incentive fee consists of two parts:

The first part of the incentive fee, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2% quarterly (8% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any

calendar quarter, MC Advisors receives no incentive fee until our net investment income equals the hurdle rate of 2% but then receives, as a catch-up, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, MC Advisors will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply. The

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first component of the incentive fee will be computed and paid on income that includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that we have not yet received in cash. Since the hurdle rate is fixed, as interest rates rise, it will be easier for the MC Advisors to surpass the hurdle rate and receive an incentive fee based on net investment income. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of our pre-incentive fee net investment income will be payable except to the extent that

20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. In other words, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (i) 20% of the amount by which our pre-incentive fee net investment income for such calendar quarter exceeds the 2% hurdle, subject to the catch-up provision, and (ii) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding calendar quarters *minus* (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the cumulative net increase in net assets resulting from operations is the sum of our pre-incentive fee net investment income, base management fees, realized gains and losses and unrealized appreciation and depreciation for the then current and 11 preceding calendar quarters.

The second part of the incentive fee, payable annually in arrears, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the fiscal year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses on a cumulative basis and unrealized capital depreciation, less the aggregate amount of any previously paid capital gain incentive fees. We will accrue (but not pay) an expense for potential payment of capital gain incentive fees with respect to any unrealized appreciation on our portfolio.

See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

We may borrow funds from time to time to make investments to the extent we determine that it is appropriate to do so. The costs associated with any outstanding borrowings are indirectly borne by our investors. The table assumes borrowings are consistent with the average borrowings for the three months ended September 30, 2017 of \$166.1 million, no preferred stock issued or outstanding and average net assets of \$283.9 million. For the three months ended September 30, 2017, we had interest and other debt financing expenses of \$1.9 million (including fees for unused portions of commitments).

(6) The weighted average interest rate of our revolving credit facility (excluding debt issuance costs) was 4.0% and the weighted average interest rate on our SBA-guaranteed debentures (excluding debt issuance costs) was 3.3% during the three months ended September 30, 2017. Although we do not have any current plans to issue debt securities or preferred stock in the next twelve months, we may issue debt securities or preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Includes our estimated overhead expenses, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by MC Management. The table above assumes other expenses remain consistent with the \$1.0 million incurred during the three months ended September 30, 2017 and average net assets for the period of \$283.9 million.

(8) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. We calculate the total annual expenses percentage as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been purchased with borrowed amounts. The terms of our indebtedness may be found in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Borrowings. If the total annual expenses percentage were calculated

instead as a percentage of consolidated total assets, our total annual expenses would be 6.0% of consolidated total assets. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of total assets after such borrowing. We have received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities for the purposes of the 200% asset coverage ratio, which provides us with increased flexibility, but also increases our risks associated with leverage. We have included our estimated leverage expenses (consistent with the assumptions in footnote (7)) for the twelve months following this offering in total annual expenses.

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The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above.

You would pay the following expenses on a \$1,000 investment	1 Year	3 Years	5 Years	10 Years
Assuming a 5% annual return (assumes no return from net realized capital gains or net unrealized capital appreciation)	\$93	\$230	\$367	\$710
Assuming a 5% annual return (assumes entire return is from realized capital gains and thus subject to the capital gains incentive fee)	\$103	\$262	\$423	\$836

This table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. As incentive fees vary based on the character of the 5% return, the example above provides (i) expenses assuming no return from capital gains (therefore not meeting the hurdle rate for the first part of the incentive fee) and (ii) expenses assuming the entire return is from realized capital gains (resulting in a capital gains incentive fee). For the three months ended September 30, 2017, we experienced net realized and unrealized losses and therefore there were no capital gains incentive fees. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if our board of directors authorizes and we declare a cash distribution, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See [Dividend Reinvestment Plan](#) for additional information regarding our dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus contain forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, believes, sees, estimates, would, should, targets, projects, and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements including:

- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- the ability of MC Advisors to identify, invest in and monitor companies that meet our investment criteria;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with MC Advisors and its affiliates;
- possession of material nonpublic information;
- potential divergent interests of MC Advisors and our stockholders arising from our incentive fee structure;
- restrictions on affiliate transactions;
- competition for investment opportunities;
- our ability to maintain our qualification as a RIC and as a business development company;
- the impact of a protracted decline in the liquidity of credit markets on our business and portfolio investments;
- the adequacy of our financing sources;
- the timing, form and amount of any payments, dividends or other distributions from our portfolio companies;
- our use of leverage;
- changes in interest rates;
- SBA regulations affecting MRCC SBIC or any other wholly-owned SBIC subsidiary;
- uncertain valuations of our portfolio investments;
- fluctuations in our quarterly operating results;
- our ability to issue securities at a discount to net asset value per share;
- changes in laws or regulations applicable to us; and
- general economic and political conditions and their impact on the industries in which we invest.

We have based the forward-looking statements included in this prospectus supplement and the accompanying prospectus on information available to us on the date of this prospectus supplement. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. However, we will update this prospectus supplement to reflect any material changes to the information contained herein during the period of this offering.

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You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus supplement or in periodic reports we file under the Exchange Act.

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## **USE OF PROCEEDS**

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all \$50,000,000 of common stock offered under this prospectus supplement and the accompanying prospectus, we estimate that the net proceeds of this offering would be approximately \$48.8 million, after deducting the estimated sales commission payable to the Sales Agents and our estimated offering expenses.

We intend to use all or substantially all of the net proceeds from the sale of our common stock to invest directly in portfolio companies in accordance with our investment objective and strategies and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses from the net proceeds of this offering.

We anticipate that we will use substantially all of the net proceeds from this offering for the above purposes within approximately six months after the completion of this offering, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. It may take more or less time for us to identify, negotiate and enter into investments and fully deploy any proceeds we raise, and we cannot assure you that we will achieve our targeted investment pace.

Until such appropriate investment opportunities can be found, we will invest the net proceeds of any offering of our securities primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in lower yielding interest-bearing deposits or other short-term instruments. See Regulation Temporary Investments in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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The equity distribution agreements provide that we may offer and sell up to \$50,000,000 of our common stock from time to time through our Sales Agents for the offer and sale of such common stock. The table below assumes that we will sell all of the \$50,000,000 of our common stock at a price of \$14.13 per share (the last reported sale price of our common stock on The Nasdaq Global Select Market on November 15, 2017), but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$14.13, depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of September 30, 2017:

on an actual basis; and

on an as adjusted basis giving effect to the assumed sale of \$50,000,000 million of our common stock at a price of \$14.13 per share (the last reported sale price of our common stock on The Nasdaq Global Select Market on November 15, 2017) less commissions and expenses.

This table should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2017	
	Actual (unaudited)	As Adjusted
	(in thousands, except per share data)	
<b>Assets:</b>		
Cash	\$3,721	\$52,471
Restricted cash	5,689	5,689
Investments at fair value	431,097	431,097
Other assets	4,755	4,755
Total assets	\$445,262	\$494,012
<b>Liabilities:</b>		
Debt	\$148,188	\$148,188
Other liabilities	13,532	13,532
Total liabilities	\$161,720	\$161,720
<b>Net Assets:</b>		
Common stock, \$0.001 par value, 100,000 shares authorized, actual; 20,240 shares issued and outstanding, actual; 23,779 shares issued and outstanding, as adjusted	\$20	\$24
Capital in excess of par value	286,269	335,015
Undistributed net investment income (accumulated distributions in excess of net investment income)	6,081	6,081
Accumulated net realized gain (loss) on investments and secured borrowings	81	81
Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(8,909 )	(8,909 )

Total net assets	\$283,542	\$332,292
Net asset value per share	\$14.01	\$13.97

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# PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock began trading on The Nasdaq Global Market under the ticker symbol MRCC on October 25, 2012. Prior to that date, there was no established trading market for our common stock. Our common stock is now traded on the Nasdaq Global Select Market. Our common stock has historically traded both above and below net asset value ( NAV ).

The following table sets forth the high and low closing sales prices of our common stock, the closing sales price as a percentage of our NAV and the dividends declared by us for each fiscal quarter since our shares began trading.

	NAV <sup>(1)</sup>	Closing Sales Price		Premium (Discount) of High Sales Price to NAV <sup>(2)</sup>	Premium (Discount) of Low Sales Price to NAV <sup>(2)</sup>	Declared Distributions <sup>(3)</sup>
		High	Low			
Year ending December 31, 2017						
Fourth Quarter (through November 15, 2017)	(4)	\$ 14.70	\$ 14.13	(4)	(4)	
Third Quarter	\$ 14.01	\$ 15.22	\$ 13.50	8.6 %	(3.6 )%	\$ 0.35 (5)
Second Quarter	\$ 14.05	\$ 16.14	\$ 14.92	14.9 %	6.2 %	\$ 0.35 (5)
First quarter	\$ 14.34	\$ 16.09	\$ 15.18	12.2 %	5.9 %	\$ 0.35 (5)
Year ending December 31, 2016						
Fourth Quarter	\$ 14.52	\$ 15.63	\$ 13.77	7.6 %	(5.2 )%	\$ 0.35 (6)
Third Quarter	\$ 14.42	\$ 16.25	\$ 14.91	12.7 %	3.4 %	\$ 0.35 (6)
Second Quarter	\$ 14.50	\$ 14.83	\$ 13.11	2.3 %	(9.6 )%	\$ 0.35 (6)
First Quarter	\$ 14.45	\$ 14.32	\$ 10.82	(0.9 )%	(25.1 )%	\$ 0.35 (6)
Year ending December 31, 2015						
Fourth Quarter	\$ 14.19	\$ 14.99	\$ 12.78	5.6 %	(9.9 )%	\$ 0.35 (7)
Third Quarter	\$ 14.21	\$ 15.08	\$ 13.60	6.1 %	(4.3 )%	\$ 0.35 (7)
Second Quarter	\$ 14.18	\$ 15.25	\$ 14.25	7.5 %	0.5 %	\$ 0.35 (7)
First Quarter	\$ 14.11	\$ 15.38	\$ 13.91	9.0 %	(1.4 )%	\$ 0.35 (7)
Year ended December 31, 2014						
Fourth Quarter	\$ 14.05	\$ 14.63	\$ 13.00	4.1 %	(7.5 )%	\$ 0.34 (8)
Third Quarter	\$ 13.95	\$ 14.00	\$ 13.26	0.4 %	(4.9 )%	\$ 0.34 (8)
Second Quarter	\$ 13.93	\$ 13.92	\$ 12.70	(0.1 )%	(8.8 )%	\$ 0.34 (8)
First Quarter	\$ 13.99	\$ 13.55	\$ 12.19	(3.1 )%	(12.9 )%	\$ 0.34 (8)
Year ended December 31, 2013						
Fourth Quarter	\$ 13.92	\$ 13.87	\$ 11.75	(0.4 )%	(15.6 )%	\$ 0.34 (9)
Third Quarter	\$ 14.01	\$ 14.99	\$ 12.95	7.0 %	(7.6 )%	\$ 0.34 (9)
Second Quarter	\$ 14.78	\$ 15.46	\$ 14.60	4.6 %	(1.2 )%	\$ 0.34 (9)
First Quarter	\$ 14.78	\$ 15.39	\$ 14.55	4.1 %	(1.6 )%	\$ 0.34 (9)
Year ended December 31, 2012						

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Fourth Quarter<sup>(10)</sup>                      \$14.54    \$15.30    \$14.59    5.2 %    0.3 %    \$ 0.34 <sup>(11)</sup>

NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per (1) share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(2) Calculated by taking the respective high or low closing sales price divided by the quarter end NAV and subtracting 1.

(3) Represents the distribution declared in the specified quarter. We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, stockholders

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cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) NAV calculation is not yet available.

(5) Our management monitors available taxable earnings, including net investment income and realized capital gains, to determine if a tax return of capital may occur for the year. To the extent that our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a tax return of capital to our stockholders. The tax character of distributions will be determined at the end of the fiscal year. However, if the character of such distributions were determined as of September 30, 2017, none of the distributions for the three months ended September 30, 2017, June 30, 2017 and March 31, 2017 would have been characterized as a tax return of capital to our stockholders.

(6) There was no return of capital for tax purposes for the year ended December 31, 2016.

(7) There was no return of capital for tax purposes for the year ended December 31, 2015.

(8) There was no return of capital for tax purposes for the year ended December 31, 2014.

(9) Includes a return of capital for tax purposes of approximately \$0.21 per share for the year ended December 31, 2013.

(10) From October 24, 2012 (initial public offering) to December 31, 2012.

(11) Includes a return of capital for tax purposes of approximately \$0.20 per share for the year ended December 31, 2012.

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TABLE OF CONTENTS**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 are derived from our consolidated financial statements that have been audited by RSM US LLP, our independent registered public accounting firm. We derived the selected consolidated financial data as of and for the nine months ended September 30, 2017 and 2016 from our unaudited interim consolidated financial statements. In the opinion of the Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. Interim results are subject to variation and are not indicative of the results of operations to be expected for a full fiscal year. This consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement.

	As of and for the nine months ended September 30, 2017 (unaudited)	As of and for the nine months ended September 30, 2016 (unaudited)	As of and for the year ended December 31, 2016	As of and for the year ended December 31, 2015	As of and for the year ended December 31, 2014	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012 <sup>(1)</sup>
Consolidated statements of operations data:							
Total investment income	\$37,743	\$33,785	\$45,018	\$36,898	\$29,913	\$18,213	\$1,706
Base management fees	5,661	4,598	6,347	5,129	4,091	2,752	318
Incentive fees, net of incentive fee waiver	4,221	4,282	5,504	4,685	3,512	1,544	6
All other expenses	8,852	7,776	10,661	8,343	7,235	5,267	592
Net investment income	19,009	17,129	22,506	18,741	15,075	8,650	790
Net realized gain (loss) on investments and secured borrowings	(506 )	587	587	304	299	247	
Net change in unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(8,592 )	(883 )	1,272	(1,153 )	(1,465 )	869	160
Net increase (decrease) in net assets resulting from operations	\$9,911	\$16,833	\$24,365	\$17,892	\$13,909	\$9,766	\$950
Per share data (basic and diluted):							
Net asset value	\$14.01	\$14.42	\$14.52	\$14.19	\$14.05	\$13.92	\$14.54
Net investment income	1.05	1.24	1.55	1.60	1.57	1.13	0.15
Net realized gain (loss) on investments and secured	(0.03 )	0.03	0.04	0.03	0.03	0.03	

borrowings							
Net change in unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(0.47 )	(0.06 )	0.09	(0.10 )	(0.15 )	0.12	0.03
Net increase (decrease) in net assets resulting from operations	\$0.55	\$1.21	\$1.68	\$1.53	\$1.45	\$1.28	\$0.18
Distributions declared <sup>(2)</sup>	\$1.05	\$1.05	\$1.40	\$1.40	\$1.36	\$1.36	\$0.34
Consolidated statements of assets and liabilities data at period end:							
Investments, at fair value	\$431,097	\$376,656	\$412,920	\$341,091	\$233,535	\$207,920	\$132,752
Cash	3,721	5,974	5,958	5,278	4,561	14,214	4,060
Restricted cash	5,689	2,241	2,373	8,588	1,176	389	
Other assets	4,755	2,539	3,294	2,353 <sup>(3)</sup>	4,313	3,158	2,419
Total assets	445,262	387,410	424,545	357,310 <sup>(3)</sup>	243,585	225,681	139,231
Total debt	148,188	142,227	177,869	162,607 <sup>(3)</sup>	106,308	83,943	55,000
Other liabilities	13,532	6,096	5,826	10,168 <sup>(3)</sup>	3,539	3,646	597
Total liabilities	161,720	148,323	183,695	172,775	109,847	87,589	55,597
Total net assets	\$283,542	\$239,087	\$240,850	\$184,535	\$133,738	\$138,092	\$83,634

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	As of and for the nine months ended September 30, 2017  (unaudited)	As of and for the nine months ended September 30, 2016  (unaudited)	As of and for the year ended December 31, 2016	As of and for the year ended December 31, 2015	As of and for the year ended December 31, 2014	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012 <sup>(1)</sup>
Other data:							
Total return based on market value <sup>(4)</sup>	(0.29 )%	28.98 %	28.95 %	(0.21 )%	30.67 %	(9.29 )%	1.15 %
Total return based on average net asset value <sup>(5)</sup>	3.78 %	8.41 %	11.70 %	11.04 %	10.34 %	9.17 %	1.14 %
Weighted average annualized effective yield at period end <sup>(6)</sup>	9.9 %	9.7 %	9.6 %	10.6 %	11.6 %	10.7 %	11.3 %
Number of portfolio company investments at period end	66	62	70	55	40	42	28
Purchases of investments for the period	\$ 169,056	\$ 95,717	\$ 147,780	\$ 193,631	\$ 132,183	\$ 138,781	\$ 144,482
Principal payments and sales of investments for the period	\$ 144,445	\$ 62,459	\$ 81,446	\$ 88,379	\$ 107,073	\$ 65,165	\$ 11,898

(1) For historical periods prior to October 24, 2012, the Company had no operations and therefore information provided does not include financial results prior to October 24, 2012.

(2) Includes a return of capital for tax purposes of zero, zero, zero, \$0.21 and \$0.20 for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(3) Reflects the adoption of Financial Accounting Standards Board Accounting Standards Update ( ASU ) 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ( ASU 2015-03 ). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the statements of assets and liabilities as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We adopted ASU 2015-03 during the year ended December 31, 2016 and the consolidated statement of assets and liabilities for December 31, 2015 presented within the consolidated financial statements was also revised to reflect this presentation.

(4) Total return based on market value is calculated assuming a purchase of common shares at the market value on the first day and a sale at the market value on the last day of the periods reported. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under our dividend reinvestment plan ( DRIP ). Total return based on market value does not reflect brokerage commissions.

(5) Total return based on average net asset value is calculated by dividing the net increase in net assets from operations by the average net asset value.

(6) The weighted average annualized effective yield on portfolio investments at period end is computed by dividing (a) interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end effective rate for each investment by (b) the par value of our debt investments and the cost basis of our preferred

equity investments. The weighted average annualized effective yield on portfolio investments is a metric on the investment portfolio alone and does not represent a return to stockholders. This metric is not inclusive of the Company's fees and expenses, the impact of leverage on the portfolio or sales load that may be paid by investors.

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TABLE OF CONTENTS**SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA**

The following table sets forth certain unaudited quarterly financial information for the quarters ended September 30, 2017, June 30, 2017, March 31, 2017 and each quarter in our two most recent fiscal years, which were the calendar years ended December 31, 2016 and 2015. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

	For the quarter ended					
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Total investment income	\$13,469	\$12,268	\$12,006	\$11,233	\$11,128	\$11,118
Net investment income	\$6,887	\$6,088	\$6,034	\$5,377	\$5,583	\$5,759
Net gain (loss) on investments, secured borrowings and foreign currency borrowings	\$(569 )	\$(5,064 )	\$(3,465 )	\$2,155	\$(1,971 )	\$(482 )
Net increase (decrease) in net assets resulting from operations	\$6,318	\$1,024	\$2,569	\$7,532	\$3,612	\$5,277
Net investment income per share basic and diluted	\$0.34	\$0.35	\$0.36	\$0.32	\$0.36	\$0.44
Net increase (decrease) in net assets resulting from operations per share basic and diluted	\$0.31	\$0.06	\$0.15	\$0.45	\$0.23	\$0.41
Net asset value per share at period end	\$14.01	\$14.05	\$14.34	\$14.52	\$14.42	\$14.50

	For the quarter ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Total investment income	\$11,539	\$10,126	\$9,172	\$9,519	\$8,081
Net investment income	\$5,787	\$5,005	\$4,498	\$5,071	\$4,167
Net gain (loss) on investments, secured borrowings and foreign currency borrowings	\$2,157	\$(793 )	\$242	\$(7 )	\$(291 )
Net increase (decrease) in net assets resulting from operations	\$7,944	\$4,212	\$4,740	\$5,064	\$3,876
Net investment income per share basic and diluted	\$0.44	\$0.39	\$0.36	\$0.43	\$0.44
Net increase (decrease) in net assets resulting from operations per share basic and diluted	\$0.61	\$0.33	\$0.38	\$0.43	\$0.41
Net asset value per share at period end	\$14.45	\$14.19	\$14.21	\$14.18	\$14.11



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

Except as otherwise specified, references to we, us, and our refer to Monroe Capital Corporation and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing in our annual report on Form 10-K (the Annual Report) for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission (SEC) on March 7, 2017. The information contained in this section should also be read in conjunction with our unaudited consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and accompanying prospectus.

## Overview

Monroe Capital Corporation is an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes, we have elected to be treated as a regulated investment company (RIC) under the subchapter M of the Internal Revenue Code of 1986, as amended (the Code). We were incorporated under the Maryland General Corporation Law on February 9, 2011. We are a specialty finance company focused on providing financing solutions primarily to lower middle-market companies in the United States and Canada. We provide customized financing solutions focused primarily on senior secured, junior secured and unitranche (a combination of senior secured and junior secured debt in the same facility in which we syndicate a first out portion of the loan to an investor and retain a last out portion of the loan) debt and, to a lesser extent, unsecured subordinated debt and equity, including equity co-investments in preferred and common stock, and warrants.

Our shares are currently listed on the NASDAQ Global Select Market under the symbol MRCC.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through investment in senior, unitranche and junior secured debt and, to a lesser extent, subordinated debt and equity investments. We seek to use our extensive leveraged finance origination infrastructure and broad expertise in sourcing loans to invest in primarily senior, unitranche and junior secured debt of middle-market companies. Our investments in senior, unitranche, junior secured debt and other investments generally will range between \$2.0 million and \$18.0 million each, although this investment size may vary proportionately with the size of our capital base. As of September 30, 2017, our portfolio included approximately 76.1% senior secured debt, 10.4% unitranche debt, 8.9% junior secured debt and 4.6% equity securities, compared to December 31, 2016, when our portfolio included approximately 66.7% senior secured debt, 12.5% unitranche debt, 14.4% junior secured debt and 6.4% equity securities. We expect that the companies in which we invest may be leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in certain cases, will not be rated by national ratings agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor's system) from the national rating agencies.

While our primary focus is to maximize current income and capital appreciation through debt investments in thinly traded or private U.S. companies, we may invest a portion of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in high-yield bonds, distressed debt, private equity or securities of public companies that are not thinly traded and securities of middle-market

companies located outside of the United States. We expect that these public companies generally will have debt securities that are non-investment grade.

On February 28, 2014, our wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP ( MRCC SBIC ), a Delaware limited partnership, received a license from the Small Business Administration ( SBA ) to operate as a Small Business Investment Company ( SBIC ) under Section 301(c) of the Small Business Investment Act of 1958. MRCC SBIC commenced operations on September 16, 2013. As of September 30, 2017, MRCC SBIC had \$57.6 million in leverageable capital and \$92.1 million in SBA-guaranteed debentures outstanding. See *SBA Debentures* below for more information.

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On June 9, 2017, we closed a public offering of 3,000,000 shares of our common stock at a public offering price of \$15.00 per share, raising approximately \$45.0 million in gross proceeds. On June 14, 2017, pursuant to the underwriters' exercise of the over-allotment option, we sold an additional 450,000 shares of our common stock, at a public offering price of \$15.00 per share, and additional \$6.8 million in gross proceeds for a total of \$51.8 million. Aggregate underwriters' discounts and commissions were \$2.1 million and offering costs were \$0.1 million, resulting in net proceeds of approximately \$49.6 million.

### **Investment income**

We generate interest income on the debt investments in portfolio company investments that we originate or acquire. Our debt investments, whether in the form of senior, junior or unitranche secured debt, typically have an initial term of three to seven years and bear interest at a fixed or floating rate. In some instances we receive payments on our debt investment based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. In some cases, our investments provide for deferred interest of payment-in-kind ( PIK ) interest. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums and prepayment gains (losses) on loans as interest income. As the frequency or volume of the repayments which trigger these prepayment premiums and prepayment gains (losses) may fluctuate significantly from period to period, the associated interest income recorded may also fluctuate significantly from period to period. Interest and fee income is recorded on the accrual basis to the extent we expect to collect such amounts. In addition, we also generate dividend income on preferred equity securities, common equity securities and LLC interests in accordance with our revenue recognition policies.

### **Expenses**

Our primary operating expenses include the payment of fees to MC Advisors under the Investment Advisory and Management Agreement (management and incentive fees), and the payment of fees to Monroe Capital Management Advisors, LLC ( MC Management ) for our allocable portion of overhead and other expenses under the Administration Agreement and other operating costs. See Note 6 to our consolidated financial statements and *Related Party Transactions* below for additional information on our Investment Advisory and Management Agreement and Administration agreement. Our expenses also include interest expense on our revolving credit facility, our SBA-guaranteed debentures and our secured borrowings. We bear all other out-of-pocket costs and expenses of our operations and transactions.

### **Net gain (loss) on investments, secured borrowings and foreign currency borrowings**

We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the cost basis of the investment without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments, secured borrowings, and foreign currency borrowings within net change in unrealized gain (loss) on investments, secured borrowings, and foreign currency borrowings in the consolidated statements of operations.

## Portfolio and Investment Activity

During the three months ended September 30, 2017, we invested \$29.7 million in six new portfolio companies and \$24.5 million in 20 existing portfolio companies and had \$69.0 million in aggregate amount of sales and principal repayments, resulting in net repayments of \$14.8 million for the period.

During the nine months ended September 30, 2017, we invested \$125.0 million in 16 new portfolio companies and \$44.1 million in 26 existing portfolio companies and had \$144.4 million in aggregate amount of sales and principal repayments, resulting in net investments of \$24.7 million for the period.

During the three months ended September 30, 2016, we invested \$44.3 million in eight new portfolio companies and \$5.5 million in seven existing portfolio companies and had \$15.1 million in aggregate amount of sales and principal repayments, resulting in net investments of \$34.7 million for the period.

During the nine months ended September 30, 2016, we invested \$61.0 million in 12 new portfolio companies and \$34.7 million in 16 existing portfolio companies and had \$62.5 million in aggregate amount of sales and principal repayments, resulting in net investments of \$33.2 million for the period.

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The following tables show the composition of the investment portfolio (in thousands) and associated yield data:

	September 30, 2017			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual Coupon Yield <sup>(1)</sup>	Weighted Average Annualized Effective Yield <sup>(2)</sup>
Senior secured loans	\$ 327,984	76.1 %	9.5 %	9.5 %
Unitranche loans	44,592	10.4	9.7	11.1
Junior secured loans	38,555	8.9	9.4	9.4
Equity securities	19,966	4.6	10.8	10.8
Total	\$ 431,097	100.0 %	9.8 %	9.9 %

	December 31, 2016			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual Coupon Yield <sup>(1)</sup>	Weighted Average Annualized Effective Yield <sup>(2)</sup>
Senior secured loans	\$ 275,253	66.7 %	9.2 %	9.2 %
Unitranche loans	51,638	12.5	10.9	11.4
Junior secured loans	59,366	14.4	9.7	9.7
Equity securities	26,663	6.4	10.8	10.8
Total	\$ 412,920	100.0 %	9.5 %	9.6 %

(1) The weighted average contractual coupon yield at period end is computed by dividing (a) the interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end contractual coupon rate for each investment by (b) the par value of our debt investment and the cost basis of our preferred equity investments.

(2) The weighted average annualized effective yield on portfolio investments at period end is computed by dividing (a) interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end effective rate for each investment by (b) the par value of our debt investments and the cost basis of our preferred equity investments. The weighted average annualized effective yield on portfolio investments is a metric on the investment portfolio alone and does not represent a return to stockholders. This metric is not inclusive of our fees and expenses, the impact of leverage on the portfolio or sales load that may be paid by investors.

The portfolio weighted average contractual coupon yield and weighted average effective yield increased slightly during the three and nine months ended September 30, 2017 and the portfolio mix continued to shift toward senior secured loans.

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The following table shows the portfolio composition by industry grouping at fair value (dollars in thousands):

	September 30, 2017		December 31, 2016		
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	
Aerospace & Defense	\$ 5,028	1.2 %	\$ 10,601	2.6	%
Automotive			7,514	1.8	
Banking, Finance, Insurance & Real Estate	46,912	10.9	37,130	9.0	
Beverage, Food & Tobacco	17,788	4.1	16,794	4.1	
Chemicals, Plastics & Rubber	8,864	2.1	4,040	1.0	
Construction & Building	17,933	4.2	18,602	4.5	
Consumer Goods: Durable	11,952	2.8	3,620	0.9	
Consumer Goods: Non-Durable	19,462	4.5	32,000	7.7	
Containers, Packaging & Glass	4,919	1.1	3,663	0.9	
Energy: Oil & Gas	2,346	0.5	7,803	1.9	
Environmental Industries	3,644	0.8	3,768	0.9	
Healthcare & Pharmaceuticals	66,275	15.4	56,435	13.7	
High Tech Industries	36,085	8.4	18,899	4.6	
Hotels, Gaming & Leisure	42,738	9.9	38,010	9.2	
Media: Advertising, Printing & Publishing	13,356	3.1	11,742	2.8	
Media: Broadcasting & Subscription	16,466	3.8	18,046	4.4	
Media: Diversified & Production	5,006	1.2	4,938	1.2	
Metals & Mining			5,268	1.3	
Retail	40,740	9.5	38,147	9.2	
Services: Business	27,264	6.3	40,164	9.7	
Services: Consumer	21,170	4.9	24,807	6.0	
Telecommunications	3,333	0.8	3,430	0.8	
Utilities: Electric	2,801	0.6	2,999	0.7	
Wholesale	17,015	3.9	4,500	1.1	
Total	\$ 431,097	100.0 %	\$ 412,920	100.0	%

## Portfolio Asset Quality

MC Advisors portfolio management staff closely monitors all credits, with senior portfolio managers covering agented and more complex investments. MC Advisors segregates our capital markets investments by industry. The MC Advisors monitoring process and projections developed by Monroe Capital both have daily, weekly, monthly and quarterly components and related reports, each to evaluate performance against historical, budget and underwriting expectations. MC Advisors analysts will monitor performance using standard industry software tools to provide consistent disclosure of performance. MC Advisors also monitors our investment exposure using a proprietary trend analysis tool. When necessary, MC Advisors will update our internal risk ratings, borrowing base criteria and covenant compliance reports.

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As part of the monitoring process, MC Advisors regularly assesses the risk profile of each of our investments and rates each of them based on an internal proprietary system that uses the categories listed below, which we refer to as MC Advisors' investment performance rating. For any investment rated in grades 3, 4 or 5, MC Advisors will increase its monitoring intensity and prepare regular updates for the investment committee, summarizing current operating results and material impending events and suggesting recommended actions. MC Advisors monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, MC Advisors reviews these investment ratings on a quarterly basis, and our board of directors (the Board) reviews and affirms such ratings. A definition of the rating system follows:

Investment Performance Risk Rating	Summary Description
Grade 1	Includes investments exhibiting the least amount of risk in our portfolio. The issuer is performing above expectations or the issuer's operating trends and risk factors are generally positive.
Grade 2	Includes investments exhibiting an acceptable level of risk that is similar to the risk at the time of origination. The issuer is generally performing as expected or the risk factors are neutral to positive.
Grade 3	Includes investments performing below expectations and indicates that the investment's risk has increased somewhat since origination. The issuer may be out of compliance with debt covenants; however, scheduled loan payments are generally not past due.
Grade 4	Includes an issuer performing materially below expectations and indicates that the issuer's risk has increased materially since origination. In addition to the issuer being generally out of compliance with debt covenants, scheduled loan payments may be past due (but generally not more than six months past due). For grade 4 investments, we intend to increase monitoring of the issuer.
Grade 5	Indicates that the issuer is performing substantially below expectations and the investment risk has substantially increased since origination. Most or all of the debt covenants are out of compliance or payments are substantially delinquent. Investments graded 5 are not anticipated to be repaid in full and we will reduce the fair market value of the loan to the amount we expect to recover.

Our investment performance risk ratings do not constitute any rating of investments by a nationally recognized statistical rating organization or reflect or represent any third-party assessment of any of our investments.

In the event of a delinquency or a decision to rate an investment grade 4 or grade 5, the applicable analyst, in consultation with a member of the investment committee, will develop an action plan. Such a plan may require a meeting with the borrower's management or the lender group to discuss reasons for the default and the steps management is undertaking to address the under-performance, as well as required amendments and waivers that may be required. In the event of a dramatic deterioration of a credit, MC Advisors intends to form a team or engage outside advisors to analyze, evaluate and take further steps to preserve its value in the credit. In this regard, we would expect to explore all options, including in a private equity sponsored investment, assuming certain responsibilities for the private equity sponsor or a formal sale of the business with oversight of the sale process by us. Several of Monroe Capital's professionals are experienced in running work-out transactions and bankruptcies.



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The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of September 30, 2017 (dollars in thousands):

Investment Performance Rating	Investments at Fair Value	Percentage of Total Investments
1	\$	%
2	350,064	81.2
3	62,504	14.5
4	18,529	4.3
5		
Total	\$ 431,097	100.0 %

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of December 31, 2016 (dollars in thousands):

Investment Performance Rating	Investments at Fair Value	Percentage of Total Investments
1	\$	%
2	360,338	87.3
3	40,192	9.7
4	12,390	3.0
5		
Total	\$ 412,920	100.0 %

## Results of Operations

Operating results were as follows (dollars in thousands):

	Three months ended	
	September 30, 2017	2016
Total investment income	\$ 13,469	\$ 11,128
Total expenses	6,582	5,545
Net investment income	6,887	5,583
Net realized gain (loss) on investments	(2,900 )	
Net realized gain (loss) on secured borrowings		
Net change in unrealized gain (loss) on investments	2,398	(1,848 )
Net change in unrealized gain (loss) on secured borrowings		(123 )
Net change in unrealized gain (loss) on foreign currency borrowings	(67 )	
Net increase (decrease) in net assets resulting from operations	\$ 6,318	\$ 3,612

Nine months ended  
September 30,

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	2017	2016
Total investment income	\$ 37,743	\$ 33,785
Total expenses, net of incentive fee waiver	18,734	16,656
Net investment income	19,009	17,129
Net realized gain (loss) on investments	(572 )	587
Net realized gain (loss) on secured borrowings	66	
Net change in unrealized gain (loss) on investments	(8,503 )	(847 )
Net change in unrealized gain (loss) on secured borrowings	(6 )	(36 )
Net change in unrealized gain (loss) on foreign currency borrowings	(83 )	
Net increase (decrease) in net assets resulting from operations	\$ 9,911	\$ 16,833

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The composition of our investment income was as follows (dollars in thousands):

	Three months ended September 30,	
	2017	2016
Interest income	\$ 11,511	\$ 8,914
Dividend income	251	1,384
Fee income	661	220
Prepayment gain (loss)	514	227
Accretion of discounts and amortization of premium	532	383
Total investment income	\$ 13,469	\$ 11,128

	Nine months ended September 30,	
	2017	2016
Interest income	\$ 32,600	\$ 26,448
Dividend income	751	4,297
Fee income	1,626	1,067
Prepayment gain (loss)	1,488	836
Accretion of discounts and amortization of premium	1,278	1,137
Total investment income	\$ 37,743	\$ 33,785

The increase in investment income of \$2.3 million and \$4.0 million during the three and nine months ended September 30, 2017, as compared to the three and nine months ended September 30, 2016, is primarily due to increases in average outstanding loan balances and increases in prepayment loan activity, partially offset by decreases in dividend income. The decrease in dividend income during the three and nine months ended September 30, 2017, as compared to the prior year periods, is driven by decreases in dividend income from our investment in Rockdale Blackhawk, LLC ( Rockdale ) of \$1.1 million and \$3.5 million, respectively. While we have received significant equity distributions from our investment in Rockdale in the past, the timing and amount of these distributions are not within our control and are difficult to predict and may fluctuate significantly from period to period.

**Operating Expenses**

The composition of our operating expenses was as follows (dollars in thousands):

	Three months ended September 30,	
	2017	2016
Interest and other debt financing expenses	\$ 1,907	\$ 1,523
Base management fees	1,953	1,594
Incentive fees	1,721	1,223
Professional fees	277	237
Administrative service fees	295	324

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General and administrative expenses	292	265
Excise taxes	100	342
Directors fees	37	37
Total expenses	\$ 6,582	\$ 5,545

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	Nine months ended September 30,	
	2017	2016
Interest and other debt financing expenses	\$ 6,101	\$ 4,987
Base management fees	5,661	4,598
Incentive fees, net of incentive fee waiver	4,221	4,282
Professional fees	854	682
Administrative service fees	926	956
General and administrative expenses	760	611
Excise taxes	100	429
Directors fees	111	111
Total expenses, net of incentive fee waiver	\$ 18,734	\$ 16,656

The composition of our interest and other debt financing expenses was as follows (dollars in thousands):

	Three months ended September 30,	
	2017	2016
Interest expense revolving credit facility	\$ 944	\$ 935
Interest expense SBA debentures	683	329
Amortization of deferred financing costs	274	222
Interest expense secured borrowings		27
Other	6	10
Total interest and other debt financing expenses	\$ 1,907	\$ 1,523

	Nine months ended September 30,	
	2017	2016
Interest expense revolving credit facility	\$ 3,674	\$ 3,251
Interest expense SBA debentures	1,607	981
Amortization of deferred financing costs	760	603
Interest expense secured borrowings	34	99
Other	26	53
Total interest and other debt financing expenses	\$ 6,101	\$ 4,987

The increase in expenses of \$1.0 million during the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, is primarily due to an increase in base management fees and part one incentive fees (based on net investment income) due to the growth in invested assets and an increase in interest expense primarily as a result of additional SBA-guaranteed debenture borrowings required to support the growth of the portfolio. These increases were partially offset by a decline in the accrual for excise taxes for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. For the three months ended September 30, 2017 and 2016, no incentive fees were waived.

The increase in expenses of \$2.1 million during the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, is primarily due to an increase in base management fees due to the growth in invested assets and an increase in interest expense as a result of additional borrowings (including SBA-guaranteed debentures) required to support the growth of the portfolio. These increases were partially offset by a decline in the

accrual for excise taxes for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016. During the nine months ended September 30, 2017 and 2016, MC Advisors waived part one incentive fees (based on net investment income) of \$0.3 million and zero, respectively.

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**Net Realized Gain (Loss) on Investments and Secured Borrowings**

During the three months ended September 30, 2017 and 2016, we had sales of investments of \$12.5 million and zero resulting in (\$2.9) million and zero of net realized gains (losses), respectively. The net realized losses on the portfolio were primarily driven by the exit of our investment in Fabco Automotive Corporation ( Fabco ). During the nine months ended September 30, 2017 and 2016, we had sales of investments of \$16.7 million and \$0.6 million resulting in (\$0.6) million and \$0.6 million of net realized gains (losses), respectively.

During the three months ended September 30, 2017 and 2016, we had no sales of secured borrowings. During the nine months ended September 30, 2017 and 2016, we had sales of secured borrowings of \$1.3 million and zero resulting in \$66 thousand and zero of net realized gains, respectively.

**Net Change in Unrealized Gain (Loss) on Investments, Secured Borrowings and Foreign Currency Borrowings**

For the three months ended September 30, 2017 and 2016, our investments had \$2.4 million and (\$1.8) million of net change in unrealized gain (loss), respectively. During the three months ended September 30, 2017, the net change in unrealized gains on the portfolio included the reversal of a mark-to-market loss on Fabco. The sale of our investment in Fabco during the three months ended September 30, 2017 occurred at a value above the most recent fair market value. For the three months ended September 30, 2017 and 2016, our secured borrowings had zero and (\$0.1) million of net change in unrealized gain (loss), respectively. For the three months ended September 30, 2017 and 2016, our foreign currency borrowings had (\$67) thousand and zero of net change in unrealized gain (loss), respectively.

For the nine months ended September 30, 2017 and 2016, our investments had (\$8.5) million and (\$0.8) million of net change in unrealized gain (loss), respectively. The net change in unrealized losses during the nine months ended September 30, 2017 was primarily attributable to mark-to-market losses on our common equity investment in Rockdale and our debt investment in TPP Operating Inc. For the nine months ended September 30, 2017 and 2016, our secured borrowings had (\$6) thousand and (\$36) thousand of net change in unrealized gain (loss), respectively. For the nine months ended September 30, 2017 and 2016, our foreign currency borrowings had (\$83) thousand and zero of net change in unrealized gain (loss), respectively.

**Net Increase (Decrease) in Net Assets Resulting from Operations**

For the three months ended September 30, 2017 and 2016, the net increase in net assets from operations was \$6.3 million and \$3.6 million, respectively. Based on the weighted average shares of common stock outstanding for the three months ended September 30, 2017 and 2016, our per share net increase in net assets resulting from operations was \$0.31 and \$0.23, respectively. The \$2.7 million increase during the three months ended September 30, 2017, as compared to three months ended September 30, 2016, is primarily the result of an increase in net investment income and unrealized mark-to-market gains on investments in the portfolio during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. These increases were partially offset by an increase in realized losses on the portfolio during the three months ended September 30, 2017.

For the nine months ended September 30, 2017 and 2016, the net increase in net assets from operations was \$9.9 million and \$16.8 million, respectively. Based on the weighted average shares of common stock outstanding for the nine months ended September 30, 2017 and 2016, our per share net increase in net assets resulting from operations was \$0.55 and \$1.21, respectively. The \$6.9 million decrease during the nine months ended September 30, 2017, as compared to nine months ended September 30, 2016, is primarily the result of an increase in net unrealized

mark-to-market losses on investments in the portfolio during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, partially offset by an increase in net investment income over the same period.

## **Liquidity and Capital Resources**

As of September 30, 2017, we had \$3.7 million in cash, \$5.7 million in cash at MRCC SBIC, \$60.6 million of total debt outstanding on our revolving credit facility and \$92.1 million in outstanding

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SBA-guaranteed debentures. We had \$139.4 million available for additional borrowings on our revolving credit facility and \$22.9 million in available SBA-guaranteed debentures. See *Borrowings* below for additional information.

### **Cash Flows**

For the nine months ended September 30, 2017 and 2016, we experienced a net increase (decrease) in cash and restricted cash of \$1.1 million and (\$5.7) million, respectively. For the nine months ended September 30, 2017, operating activities used \$1.2 million, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. For the nine months ended September 30, 2016, operating activities used \$22.4 million, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. During the nine months ended September 30, 2017, we generated \$2.3 million from financing activities primarily as a result of net proceeds from capital raises and SBA debenture borrowings during the period, partially offset by net repayments on our revolving credit facility and distributions to stockholders. During the nine months ended September 30, 2016, we generated \$16.7 million for financing activities primarily as a result of proceeds from our capital raise during the period, partially offset by net repayments on our revolving credit facility and distributions to stockholders.

### **Capital Resources**

As a BDC, we distribute substantially all of our net income to our stockholders and have an ongoing need to raise additional capital for investment purposes. We intend to generate additional cash primarily from future offerings of securities, future borrowings and cash flows from operations, including income earned from investments in our portfolio companies. On both a short-term and long-term basis, our primary use of funds will be to invest in portfolio companies and make cash distributions to our stockholders.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our Board, including independent directors, determines that such sale is in the best interests of us and our stockholders, and if our stockholders have approved such sales. On July 14, 2016, our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year, subject to certain limitations. On July 21, 2017 our stockholders once again voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year, subject to certain limitations. As of September 30, 2017 and December 31, 2016, we had 20,239,957 and 16,581,869 shares outstanding, respectively.

On June 24, 2015, our stockholders approved a proposal to authorize us to issue warrants, options or rights to subscribe to, convert to, or purchase our common stock in one or more offerings. This is a standing authorization and does not require annual re-approval by our stockholders.

*Stock Issuances:* On July 1, 2016, we amended the ATM securities offering program with MLV & Co, LLC ( MLV ) and JMP Securities LLC to replace MLV with FBR Capital Markets & Co. ( FBR ), an affiliate of MLV (the Prior ATM Program ). On May 12, 2017, we entered into new equity distribution agreements with each of B. Riley FBR, Inc., as successor by merger to FBR ( B. Riley FBR ), and JMP that reference our current registration statement (the ATM Program ). All other material terms of the Prior ATM Program remain unchanged under the ATM Program. During the nine months ended September 30, 2017, we sold 173,939 shares at an average price of \$15.71 per share for gross proceeds of \$2.7 million under the Prior ATM Program and no shares were sold under the ATM Program. Aggregate underwriters discounts and commissions were \$41 thousand and offering costs were \$23 thousand,

resulting in net proceeds of approximately \$2.7 million. There were no stock issuances under the Prior ATM Program during the nine months ended September 30, 2016.

On June 9, 2017, we closed a public offering of 3,000,000 shares of our common stock at a public offering price of \$15.00 per share, raising approximately \$45.0 million in gross proceeds. On June 14, 2017, pursuant to the underwriters' exercise of the over-allotment option, we sold an additional 450,000 shares of our common stock, at a public offering price of \$15.00 per share, and additional \$6.8 million in gross

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proceeds for a total of \$51.8 million. Aggregate underwriters' discounts and commissions were \$2.1 million and offering costs were \$0.1 million, resulting in net proceeds of approximately \$49.6 million.

On July 25, 2016, we closed a public offering of 3,100,000 shares of our common stock at a public offering price of \$15.50 per share, raising approximately \$48.1 million in gross proceeds. On August 3, 2016, we sold an additional 465,000 shares of our common stock, at a public offering price of \$15.50 per share, raising approximately \$7.2 million in gross proceeds pursuant to the underwriters' exercise of the over-allotment option. Aggregate underwriters' discounts and commissions were \$2.2 million and offering costs were \$0.5 million, resulting in net proceeds of \$52.5 million.

## **Borrowings**

*Revolving Credit Facility:* As of September 30, 2017, we had U.S. dollar borrowings of \$58.2 million and non-U.S. dollar borrowings denominated in Great Britain pounds of £1.8 million (\$2.4 million in U.S. dollars) under our revolving credit facility with ING Capital LLC, as agent, to finance the purchase of our assets. The borrowings denominated in Great Britain pounds are translated into U.S. dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign currency borrowings is included in change in unrealized gain (loss) on foreign currency borrowings in our consolidated statements of operations. The borrowings denominated in Great Britain pounds may be positively or negatively affected by movements in the rate of exchange between the U.S. dollar and the Great Britain pound. These movements are beyond our control and cannot be predicted. As of December 31, 2016, we had U.S. dollar borrowings of \$129.0 million outstanding under the revolving credit facility. As of September 30, 2017, the maximum amount we were able to borrow was \$200.0 million and this borrowing can be increased to \$300.0 million pursuant to an accordion feature (subject to maintaining 200% asset coverage, as defined by the 1940 Act). On February 22, 2017, we closed a \$40.0 million upside to the revolving credit facility, bringing the maximum amount we are able to borrow from \$160.0 million to the now current maximum amount of \$200.0 million, in accordance with the facility's accordion feature. The maturity date on the facility is December 14, 2020.

The revolving credit facility is secured by a lien on all of our assets, including cash on hand, but excluding the assets of our wholly-owned subsidiary, MRCC SBIC. Our ability to borrow under the revolving credit facility is subject to availability under a defined borrowing base, which varies based on portfolio characteristics and certain eligibility criteria and concentration limits, as well as required valuation methodologies. We may make draws under the revolving credit facility to make or purchase additional investments through December 2019 and for general working capital purposes until the maturity date of the revolving credit facility. Borrowings under the revolving credit facility bear interest, at our election, at an annual rate of LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% or at a daily rate equal to 2.00% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%. The LIBOR rate on the revolving credit facility was reduced to LIBOR plus 2.75% from LIBOR plus 3.00% in conjunction with our capital raise on June 9, 2017, as net worth (excluding investments in MRCC SBIC) exceeded \$225.0 million. In addition to the stated interest rate on borrowings under the revolving credit facility, we are required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing. As of September 30, 2017 and December 31, 2016, the outstanding borrowings were accruing at a weighted average interest rate of 4.0% and 3.8%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and nine months ended September 30, 2017 was 4.1% and 4.1%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three and nine months ended September 30, 2017 was 0.5% and 0.5%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and nine months ended September 30, 2016 was 3.7%

and 3.6%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three and nine months ended September 30, 2016 was 0.5% and 0.5%, respectively.

Our ability to borrow under the revolving credit facility is subject to availability under the borrowing base, which permits us to borrow up to 70% of the fair market value of our portfolio company investments depending on the type of the investment we hold and whether the investment is quoted. Our ability to borrow

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is also subject to certain concentration limits, and our continued compliance with the representations, warranties and covenants given by us under the facility. The revolving credit facility contains certain financial and restrictive covenants, including, but not limited to, our maintenance of: (1) a minimum consolidated total net assets at least equal to the greater of (a) 40% of the consolidated total assets on the last day of each quarter or (b) \$120.0 million plus 65% of the net proceeds to us from sales of our securities after December 14, 2015; (2) a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of not less than 2.1 times; and (3) a ratio of earnings before interest and taxes to interest expense of at least 2.5 times. The credit facility also requires us to undertake customary indemnification obligations with respect to ING Capital LLC and other members of the lending group and to reimburse the lenders for expenses associated with entering into the credit facility. The revolving credit facility also has customary provisions regarding events of default, including events of default for nonpayment, change in control transactions at both Monroe Capital Corporation and MC Advisors, failure to comply with financial and negative covenants, and failure to maintain our relationship with MC Advisors. If we incur an event of default under the revolving credit facility and fail to remedy such default under any applicable grace period, if any, then the entire revolving credit facility could become immediately due and payable, which would materially and adversely affect our liquidity, financial condition, results of operations and cash flows.

Our revolving credit facility also imposes certain conditions that may limit the amount of our distributions to stockholders. Distributions payable in our common stock under the DRIP are not limited by the revolving credit facility. Distributions in cash or property other than common stock are generally limited to 115% of the amount of distributions required to maintain our status as a RIC.

**SBA Debentures:** On February 28, 2014, our wholly-owned subsidiary, MRCC SBIC, received a license from the SBA to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013.

The SBIC license allows MRCC SBIC to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a leverage commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis (pooling date) at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, has a superior claim to MRCC SBIC's assets over our stockholders in the event we liquidate MRCC SBIC or the SBA exercises its remedies upon an event of default.

SBA regulations currently limit the amount that an individual SBIC may borrow to a maximum of \$150.0 million when it has at least \$75.0 million in regulatory capital, receives a leverage commitment from the SBA and has been through an audit examination by the SBA subsequent to licensing. The SBA also historically limited a related group of SBICs (commonly referred to as a family of funds) to a maximum of \$225.0 million in total borrowings. On December 18, 2015, this family of funds limitation was raised to \$350.0 million in total borrowings. As we have other affiliated SBICs already in operation, MRCC SBIC was historically limited to a maximum of \$40.0 million in borrowings. Pursuant to the increase in the family of funds limitation, we submitted a commitment application to the SBA and on April 13, 2016 we were approved for \$75.0 million in additional SBA-guaranteed debentures for MRCC SBIC for a total of \$115.0 million in available debentures.

As of September 30, 2017, MRCC SBIC had \$57.6 million in leverageable capital and \$92.1 million in SBA-guaranteed debentures outstanding. As of December 31, 2016, MRCC SBIC had \$41.0 million in leverageable capital and \$51.5 million in SBA-guaranteed debentures outstanding. As of September 30, 2017, we have made all required leverageable capital contributions to MRCC SBIC in order to access the remaining \$22.9 million in available

SBA-guaranteed debentures.

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As of September 30, 2017, MRCC SBIC had the following SBA-guaranteed debentures outstanding (dollars in thousands):

Maturity Date	Interest Rate	Amount
September 2024	3.4 %	\$ 12,920
March 2025	3.3 %	14,800
March 2025	2.9 %	7,080
September 2025	3.6 %	5,200
March 2027	3.5 %	20,000
September 2027	3.2 %	32,100
Total		\$ 92,100

As of December 31, 2016, MRCC SBIC had the following SBA-guaranteed debentures outstanding (dollars in thousands):

Maturity Date	Interest Rate	Amount
September 2024	3.4 %	\$ 12,920
March 2025	3.3 %	14,800
March 2025	2.9 %	7,080
September 2025	3.6 %	5,200
March 2027	2.1 % <sup>(1)</sup>	9,200
March 2027	2.0 % <sup>(1)</sup>	2,300
Total		\$ 51,500

(1) Represents an interim rate of interest as the SBA-guaranteed debentures had not yet pooled. On October 2, 2014, the Company was granted exemptive relief from the SEC for permission to exclude the debt of MRCC SBIC guaranteed by the SBA from the 200% asset coverage test under the 1940 Act. The receipt of this exemption for this SBA-guaranteed debt increases flexibility under the 200% asset coverage test.

*Secured Borrowings:* Certain partial loan sales do not qualify for sale accounting under Accounting Standards Codification ( ASC ) Topic 860 *Transfers and Servicing* ( ASC Topic 860 ) because these sales do not meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed.

Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment on the accompanying consolidated statements of assets and liabilities and the portion sold is recorded as a secured borrowing in the liabilities section of the consolidated statements of assets and liabilities. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest and other debt financing expenses in the accompanying consolidated statements of operations.

As of September 30, 2017, we did not have secured borrowings. As of December 31, 2016, secured borrowings at fair value totaled \$1.3 million and the fair value of the loans that are associated with these secured borrowings was \$5.8 million. These secured borrowings were created as a result of our completion of partial loan sales of certain unitranche loan assets during the year ended December 31, 2013, that did not meet the definition of a participating interest. As a result, sale treatment was not allowed and these partial loan sales were treated as secured borrowings. No such partial loan sales occurred during the year ended December 31, 2016 and the nine months ended September 30, 2017. During

the three and nine months ended September 30, 2017, repayments on secured borrowings totaled zero and \$1.3 million, respectively. During the three and nine months ended September 30, 2016 repayments on secured borrowings totaled \$0.6 million and \$0.9 million, respectively. The weighted average interest rate on our secured borrowings was approximately zero and 6.3% as of September 30, 2017 and December 31, 2016, respectively.

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**Distribution Policy**

Our Board will determine the timing and amount, if any, of our distributions. We intend to pay distributions on a quarterly basis. In order to avoid corporate-level tax on the income we distribute as a RIC, we must distribute to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis out of the assets legally available for such distributions. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions. Distributions to stockholders for the three and nine months ended September 30, 2017, totaled \$7.1 million (\$0.35 per share) and \$20.0 million (\$1.05 per share), respectively. Distributions to stockholders for the three and nine months ended September 30, 2016 totaled \$5.8 million (\$0.35 per share) and \$14.8 million (\$1.05 per share), respectively. The tax character of such distributions is determined at the end of the fiscal year. However, if the character of such distributions were determined as of September 30, 2017 and 2016, no portion of these distributions would have been characterized as a tax return of capital to stockholders.

We have adopted an opt out dividend reinvestment plan ( DRIP ) for our common stockholders. As a result, if we declare a distribution, our stockholders cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically opts out of our DRIP. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes.

**Related Party Transactions**

We have a number of business relationships with affiliated or related parties, including the following:

We have an Investment Advisory and Management Agreement with MC Advisors, an investment advisor registered with the SEC, to manage our day-to-day operating and investing activities. We pay MC Advisors a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. See Note 6 to our consolidated financial statements and Significant Accounting Estimates and Critical Accounting Policies *Capital Gains Incentive Fee* for additional information.

We have an Administration Agreement with MC Management to provide us with the office facilities and administrative services necessary to conduct our day-to-day operations. See Note 6 to our consolidated financial statements for additional information.

Theodore L. Koenig, our Chief Executive Officer and Chairman of our Board is also a manager of MC Advisors and the President and Chief Executive Officer of MC Management. Aaron D. Peck, our Chief Financial Officer and Chief Investment Officer, serves as a director on our Board and is also a managing director of MC Management.

We have a license agreement with Monroe Capital LLC, under which Monroe Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name Monroe Capital for specified purposes in our business.

In addition, we have adopted a formal code of ethics that governs the conduct of MC Advisors officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and Maryland General Corporation Law.

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## Commitments and Contingencies and Off-Balance Sheet Arrangements

The following table shows our significant contractual payment obligations for repayment as of December 31, 2016 (dollars in thousands):

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Revolving credit facility	\$ 129,000	\$	\$	\$ 129,000	\$
SBA debentures payable	51,500				51,500
Unfunded commitments <sup>(1)</sup>	37,716	37,716			
Total contractual obligations <sup>(2)</sup>	\$ 218,216	\$ 37,716	\$	\$ 129,000	\$ 51,500

(1) Unfunded commitments represent all amounts unfunded as of December 31, 2016. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but we are showing this amount in the less than one year category as this entire amount was eligible for funding to the borrowers as of December 31, 2016.

(2) Total contractual obligations excludes \$1.3 million of secured borrowings. See [Liquidity and Capital Resources](#) [Borrowings](#) [Secured Borrowings](#).

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the consolidated statements of assets and liabilities.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase.

### Commitments and Contingencies

As of September 30, 2017 and December 31, 2016, we had \$33.1 million and \$37.7 million, respectively, in outstanding commitments to fund investments under undrawn revolvers, capital expenditure loans and delayed draw commitments. Additionally, we have entered into certain contracts with other parties that contain a variety of indemnifications. Our maximum exposure under these arrangements is unknown. However, we have not experienced claims or losses pursuant to these contracts and believe the risk of loss related to such indemnifications to be remote.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Market Trends

We have identified the following trends that may affect our business:

*Target Market:* We believe that small and middle-market companies in the United States with annual revenues between \$10.0 million and \$2.5 billion represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have generated a significant number of investment opportunities for investment funds managed or advised by Monroe Capital, and we believe that this market segment will continue to produce significant investment opportunities for us.

*Specialized Lending Requirements:* We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on the experience of our management team, lending to U.S. middle-market companies (1) is generally more labor intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (2) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (3) may also require more extensive ongoing monitoring by the lender.

*Demand for Debt Capital:* We believe there is a large pool of uninvested private equity capital for middle-market companies. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources, such as us.

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*Competition from Other Lenders:* We believe that many traditional bank lenders, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital market transactions. In addition, many commercial banks face significant balance sheet constraints as they seek to build capital and meet future regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore drive increased new investment opportunities for us. Conversely, there is increased competitive pressure in the BDC and investment company marketplace for senior and subordinated debt which could result in lower yields for increasingly riskier assets.

*Pricing and Deal Structures:* We believe that the volatility in global markets over the last several years and current macroeconomic issues such as a weakened U.S. economy has reduced access to, and availability of, debt capital to middle-market companies, causing a reduction in competition and generally more favorable capital structures and deal terms. Recent capital raises in the BDC and investment company marketplace have created increased competition; however, we believe that current market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

## **Recent Developments**

On November 1, 2017, we announced the formation of a joint venture with NLV Financial Corporation ( NLV ), the parent of National Life Insurance Company, to create MRCC Senior Loan Fund I, LLC (the Senior Loan Fund ). The Senior Loan Fund is expected to invest primarily in senior secured loans to middle market companies in the United States. Monroe Capital Corporation and NLV have each initially committed \$50.0 million of capital to the joint venture. In addition, the Senior Loan Fund intends to obtain third party financing that is expected to allow the joint venture to access market levels of leverage.

## **Significant Accounting Estimates and Critical Accounting Policies**

### **Revenue Recognition**

We record interest and fee income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, we do not accrue PIK interest if the portfolio company valuation indicates that such PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount and market discount or premium is capitalized, and we then amortize such amounts using the effective interest method as interest income over the life of the investment. Upon the prepayment of a loan or debt security, any unamortized premium or discount or loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies. Each distribution received from limited liability company ( LLC ) and limited partnership ( LP ) investments is evaluated to determine if the distribution should be recorded as dividend income or a return of capital. Generally, we will not record distributions from equity investments in LLCs and LPs as dividend income unless there are sufficient accumulated tax-basis earnings and profits in the LLC or LP prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.



## **Valuation of Portfolio Investments**

As a BDC, we generally invest in illiquid securities including debt and, to a lesser extent, equity securities of middle-market companies. Under procedures established by our Board, we value investments for which market quotations are readily available and within a recent date at such market quotations. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). When doing so, we determine whether the quote obtained is sufficient in accordance with generally accepted accounting principles in the United States ( GAAP ) to determine the fair value of the

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security. Debt and equity securities that are not publicly traded or whose market prices are not readily available or whose market prices are not regularly updated are valued at fair value as determined in good faith by our Board. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

Our Board is ultimately and solely responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis in good faith or any other situation where portfolio investments require a fair value determination. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by our Board using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our Board undertakes a multi-step valuation process each quarter, as described below:

the quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals responsible for the credit monitoring of the portfolio investment;

preliminary valuation conclusions are then documented and discussed with the investment committee; our Board engages one or more independent valuation firm(s) to conduct fair value appraisals of material investments for which market quotations are not readily available. These fair value appraisals for material investments are received at least once in every calendar year for each portfolio company investment, but are generally received quarterly;

our audit committee of the Board reviews the preliminary valuations of MC Advisors and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and our Board discusses these valuations and determines the fair value of each investment in the portfolio in good faith, based on the input of MC Advisors, the independent valuation firm(s) and the audit committee.

The Board, together with our independent valuation firms, generally uses the yield approach to determine fair value for loans where market quotations are not readily available, as long as it is appropriate. If there is deterioration in credit quality or a debt investment is in workout status, we may consider other factors in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company under the market approach or the proceeds that would be received in a liquidation analysis. We generally consider our debt to be performing if the borrower is not in default, the borrower is remitting payments in a timely manner; the loan is in covenant compliance or is otherwise not deemed to be impaired. In determining the fair value of the performing debt, the Company considers fluctuations in current interest rates, the trends in yields of debt instruments with similar credit ratings, financial condition of the borrower, economic conditions and other relevant factors, both qualitative and quantitative. In the event that a debt instrument is not performing, as defined above, we will evaluate the value of the collateral utilizing the same framework described above for a performing loan to determine the value of the loan.

Under the yield approach, we utilize discounted cash flow models to determine the present value of the future cash flow streams of our debt investments, based on future interest and principal payments as set forth in the associated loan agreements. In determining fair value under the yield approach, we also consider the following factors: applicable market yields and leverage levels, credit quality, prepayment penalties, the nature



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and realizable value of any collateral, the portfolio company's ability to make payments, and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made.

Under the market approach, we typically use the enterprise value methodology to determine the fair value of an investment. There is no one methodology to estimate enterprise value and, in fact, for any one portfolio company, enterprise value is generally best expressed as a range of values, from which we derive a single estimate of enterprise value. In estimating the enterprise value of a portfolio company, we analyze various factors consistent with industry practice, including but not limited to original transaction multiples, the portfolio company's historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public. Typically, the enterprise values of private companies are based on multiples of earnings before interest, income taxes, depreciation and amortization (EBITDA), cash flows, net income, revenues, or in limited cases, book value.

### **Net Realized Gains or Losses and Net Change in Unrealized Gain or Loss**

We measure realized gains or losses by the difference between the net proceeds from the sale and the amortized cost basis of the investment, without regard to unrealized gain or loss previously recognized. Net change in unrealized gain or loss reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gain or loss, when gains or losses are realized. Additionally, we do not isolate the portion of the change in fair value resulting from foreign currency exchange rate fluctuations from the changes in fair values of the underlying investment. All fluctuations in fair value are included in net change in unrealized gain (loss) on investments in fair value on our consolidated statements of operations. We report changes in the fair value of secured borrowings that are measured at fair value as a component of the net change in unrealized gain (loss) on secured borrowings in the consolidated statements of operations. The impact resulting from changes in foreign exchange rates on the revolving credit facility borrowings is included in change in unrealized gain (loss) on foreign currency borrowings.

### **Capital Gains Incentive Fee**

Pursuant to the terms of the Investment Advisory and Management Agreement with MC Advisors, the incentive fee on capital gains earned on liquidated investments of our portfolio is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and administrative services agreement). This fee equals 20% of our incentive fee capital gains (i.e., our realized capital gains on a cumulative basis from inception, calculated as of the end of the applicable period, net of all realized capital losses and unrealized capital depreciation on a cumulative basis), less the aggregate amount of any previously paid capital gains incentive fees. On a quarterly basis, we accrue for the capital gains incentive fee by calculating such fee as if it were due and payable as of the end of such period.

While the Investment Advisory and Management Agreement with MC Advisors neither includes nor contemplates the inclusion of unrealized gains in the calculation of the capital gains incentive fee, pursuant to an interpretation of an American Institute for Certified Public Accountants Technical Practice Aid for investment companies, we include unrealized gains in the calculation of the capital gains incentive fee expense and related accrued capital gains incentive fee. This accrual reflects the incentive fees that would be payable to MC Advisors if our entire portfolio was liquidated at its fair value as of the balance sheet date even though MC Advisors is not entitled to an incentive fee with respect to unrealized gains unless and until such gains are actually realized.

During the three months ended September 30, 2017, we did not accrue capital gains incentive fees. During the nine months ended September 30, 2017, we had a reduction in accrued capital gains incentive fees of \$0.2 million, primarily as a result of net declines in portfolio valuations during the period. During the three months ended September 30, 2016, we had a reduction in accrued capital gains incentive fees of \$0.1 million, as a result of net declines in portfolio valuations during the period. During the nine months ended September 30, 2016, we did not accrue any capital gains incentive fees based on the performance of our portfolio.

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**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) ( ASU 2014-09 ). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

ASU 2014-09 also specified the accounting for some costs to obtain or fulfill a contract with a customer. In addition, ASU 2014-09 requires that an entity disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The initial effective date of ASU 2014-09 was for fiscal periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (ASC Topic 606): Deferral of the Effective Date*, which deferred the effective date to fiscal periods beginning after December 15, 2017. Management is currently evaluating the impact these changes will have on our consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities* ( ASU 2016-01 ). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact these changes will have on our consolidated financial statements and disclosures.

In October 2016, the SEC adopted new rules and amended rules (together final rules ) intended to modernize the reporting and disclosures of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. We have adopted the final rules, as applicable, and the revised presentation is reflected in our consolidated financial statements for the periods presented.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash* ( ASU 2016-18 ). ASU 2016-18 requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The new guidance is effective for annual and interim periods, beginning after December 15, 2017, and early adoption is permitted and is to be applied on a retrospective basis. We have adopted ASU 2016-18 and the revised presentation is reflected in our consolidated financial statements for the periods presented.

## Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. The majority of the loans in our portfolio have floating interest rates, and we expect that our loans in the future may also have floating interest rates. These loans are usually based on a floating LIBOR and typically have interest rate re-set provisions that adjust applicable interest rates under such loans to current market rates on a monthly or quarterly basis. The majority of the loans in our current portfolio have interest rate floors which have effectively converted the loans to fixed rate loans in the current interest rate environment. In addition, our credit facility has a floating interest rate provision and we expect that other credit facilities into which we enter in the future may have floating interest rate provisions.

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Assuming that the consolidated statement of financial condition as of September 30, 2017 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in Interest Rates	Increase (decrease) in interest income (in thousands)	Increase (decrease) in interest expense	Net increase (decrease) in net investment income
Down 25 basis points	\$ (863 )	\$ (152 )	\$ (711 )
Up 100 basis points	3,851	606	3,245
Up 200 basis points	7,907	1,212	6,695
Up 300 basis points	11,964	1,818	10,146

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowing under the credit facility or other borrowings that could affect net increase in net assets resulting from operations, or net income. Accordingly, we can offer no assurances that actual results would not differ materially from the analysis above.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts to the extent permitted under the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates or interest rate floors.

We may also have exposure to foreign currencies (currently the Great Britain pound) related to certain investments. Such investments are translated into U.S. dollars based on the spot rate at each balance sheet date, exposing us to movements in the exchange rate. In order to reduce our exposure to fluctuations in exchange rates, we generally borrow in Great Britain pounds under our revolving credit facility to finance such investments. As of September 30, 2017, we have non-U.S. dollar borrowings denominated in Great Britain pounds of £1.8 million (\$2.4 million U.S. dollars) outstanding under the revolving credit facility.

## PLAN OF DISTRIBUTION

We have entered into separate equity distribution agreements, each dated May 12, 2017, with each of B. Riley FBR, Inc., as successor by merger to FBR Capital Markets & Co. ( B. Riley FBR ), and JMP Securities LLC ( JMP Securities ). JMP Securities and B. Riley FBR will each act as our sales agent in connection with the offer and sale of shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, a Sales Agent will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, our common stock under the terms and subject to the conditions set forth in the respective equity distribution agreement. We will instruct the Sales Agent as to the amount of common stock to be sold by it. We may instruct the Sales Agent not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less the Sales Agent's commission, may be less than the net asset value per share of our common stock at the time of such sale. We or the Sales Agent may suspend the offering of shares of common stock upon proper notice and subject to other conditions.



Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market offerings, as defined in Rule 415 under the Securities Act.

The Sales Agent will provide written confirmation of a sale to us no later than the opening of the trading day on The Nasdaq Global Select Market following each trading day in which shares of our common stock are sold under the equity distribution agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to the Sales Agent in connection with the sales.

Under the terms of the equity distribution agreements, B. Riley FBR and JMP Securities will be entitled to compensation of up to 2.0% of the gross sales price of shares of our common stock sold through them as

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sales agents. The Sales Agents may effect sales to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the Sales Agents and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal. We estimate that the total expenses for the offering, excluding compensation payable to the Sales Agents under the terms of each equity distribution agreement, will be approximately \$250,000 (including up to an aggregate of \$25,000 in reimbursement of the Sales Agents' counsel fees).

Settlement for sales of shares of common stock will occur on the third trading day following the date on which such sales are made, or on some other date that is agreed upon by us and the Sales Agent in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will report at least quarterly the number of shares of our common stock sold through the Sales Agents under the equity distribution agreements and the net proceeds to us.

In connection with the sale of the common stock on our behalf, the Sales Agents may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of the Sales Agents may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to the Sales Agents with respect to certain civil liabilities, including liabilities under the Securities Act.

The offering of our shares of common stock pursuant to the equity distribution agreement will terminate upon the earlier of (i) the sale of all common stock subject to the equity distribution agreement or (ii) the termination of the equity distribution agreements as permitted therein.

The principal business address of B. Riley FBR, Inc. is 299 Park Avenue, 7<sup>th</sup> Floor, New York, NY 10017. The principal business address of JMP Securities LLC is 600 Montgomery Street, San Francisco, CA 94111.

## **SALE OF COMMON STOCK BELOW NET ASSET VALUE**

On June 21, 2017, our stockholders authorized us to, subject to approval of our board of directors and certain limitations set forth below, sell or otherwise issue shares of our common stock at a discount from net asset value per share for a period of twelve months. In order to sell shares pursuant to this authorization a majority of our directors who have no financial interest in the sale or issuance and a majority of our independent directors must (a) find that the sale or issuance is in our best interests and in the best interests of our stockholders, and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold or otherwise issued is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount. Any offering of common stock below net asset value per share will be designed to raise capital for investment in accordance with our investment objective. For additional information, see *Sales of Common Stock Below Net Asset Value* in the accompanying prospectus.

Our net asset value per share as of September 30, 2017 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$14.01.

In making a determination that an offering of common stock at a price below its net asset value per share is in our and our stockholders' best interests, our board of directors would consider a variety of factors, including:

The effect that an offering below net asset value per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined net asset value per share;

The relationship of recent market prices of our common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

Whether the estimated offering price would closely approximate the market value of our shares, less distributing commissions or discounts, and would not be below current market price;

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The potential market impact of being able to raise capital in the current financial market;  
The nature of any new investors anticipated to acquire shares in the offering;  
The anticipated rate of return on and quality, type and availability of investments; and  
The leverage available to us.

Our board of directors will also consider the fact that a sale of shares of common stock at a discount will benefit MC Advisors, as MC Advisors will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any of our other securities or from the offering of common stock at a premium to net asset value per share.

Sales or other issuances by us of our common stock at a discount from net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to many of our existing common stockholders even if they participate in such sale. See Risk Factors. If we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material in the accompanying prospectus.

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## LEGAL MATTERS

Certain legal matters regarding the shares of common stock offered by this prospectus supplement will be passed upon for us by Nelson Mullins Riley & Scarborough LLP, Washington, D.C. Nelson Mullins Riley & Scarborough LLP also represents MC Advisors. Certain legal matters in connection with the offering will be passed upon for the Sales Agents by Duane Morris LLP, Newark, NJ.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements and the related senior securities table appearing in the accompanying prospectus have been audited by RSM US LLP, an independent registered public accounting firm located at One South Wacker Drive, Suite 800, Chicago, IL 60606, as stated in their reports appearing elsewhere therein, and are included in reliance upon such reports and upon the authority of such firm as experts in accounting and auditing.

## AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and the shares of common stock being offered by this prospectus supplement and the accompanying prospectus.

We file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at [www.monroebdc.com](http://www.monroebdc.com) and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement and accompanying prospectus, and you should not consider information on our website to be part of this prospectus supplement and the accompanying prospectus. You may also obtain such information by contacting us in writing at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at [www.sec.gov](http://www.sec.gov). Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

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<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>S-F-2</u>
<u>Consolidated Statements of Changes in Net Assets for the nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>S-F-3</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)</u>	<u>S-F-4</u>
<u>Consolidated Schedules of Investments as of September 30, 2017 (unaudited) and December 31, 2016</u>	<u>S-F-5</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>S-F-19</u>
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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

**(in thousands, except per share data)**

	September 30, 2017 (unaudited)	December 31, 2016
<b>ASSETS</b>		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	\$ 368,634	\$ 353,980
Non-controlled affiliate company investments	53,595	50,041
Controlled affiliate company investments	8,868	8,899
Total investments, at fair value (amortized cost of: \$439,922 and \$413,242, respectively)	431,097	412,920
Cash	3,721	5,958
Restricted cash	5,689	2,373
Interest receivable	4,220	2,643
Other assets	535	651
<b>Total assets</b>	<b>445,262</b>	<b>424,545</b>
<b>LIABILITIES</b>		
Debt:		
Revolving credit facility	60,612	129,000
SBA debentures payable	92,100	51,500
Total debt	152,712	180,500
Less: Unamortized deferred financing costs	(4,524 )	(3,945 )
Total debt, less unamortized deferred financing costs	148,188	176,555
Secured borrowings, at fair value (proceeds of: \$0 and \$1,320, respectively)		1,314
Payable for open trades	7,425	
Interest payable	541	735
Management fees payable	1,953	1,749
Incentive fees payable	1,721	1,222
Accounts payable and accrued expenses	1,855	2,120
Directors' fees payable	37	
<b>Total liabilities</b>	<b>161,720</b>	<b>183,695</b>
<b>Net assets</b>	<b>\$ 283,542</b>	<b>\$ 240,850</b>
<b>Commitments and contingencies (See Note 10)</b>		
<b>ANALYSIS OF NET ASSETS</b>		
Common stock, \$0.001 par value, 100,000 shares authorized, 20,240 and 16,582 shares issued and outstanding, respectively	\$ 20	\$ 17
Capital in excess of par value	286,269	233,526

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Undistributed net investment income (accumulated distributions in excess of net investment income)	6,081	7,037
Accumulated net realized gain (loss) on investments and secured borrowings	81	587
Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(8,909 )	(317 )
<b>Total net assets</b>	<b>\$283,542</b>	<b>\$240,850</b>
<b>Net asset value per share</b>	<b>\$14.01</b>	<b>\$14.52</b>

See Notes to Consolidated Financial Statements.

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(unaudited)**

**(in thousands, except per share data)**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Investment income:</b>				
Interest income:				
Non-controlled/non-affiliate company investments	\$10,887	\$8,387	\$30,995	\$25,109
Non-controlled affiliate company investments	1,470	1,117	3,777	3,282
Controlled affiliate company investments	200	20	594	30
Total interest income	12,557	9,524	35,366	28,421
Dividend income:				
Non-controlled/non-affiliate company investments	251	251	751	751
Non-controlled affiliate company investments		1,133		3,546
Total dividend income	251	1,384	751	4,297
Fee income:				
Non-controlled/non-affiliate company investments	661	220	1,626	1,067
Total fee income	661	220	1,626	1,067
<b>Total investment income</b>	<b>13,469</b>	<b>11,128</b>	<b>37,743</b>	<b>33,785</b>
<b>Operating expenses:</b>				
Interest and other debt financing expenses	1,907	1,523	6,101	4,987
Base management fees	1,953	1,594	5,661	4,598
Incentive fees	1,721	1,223	4,471	4,282
Professional fees	277	237	854	682
Administrative service fees	295	324	926	956
General and administrative expenses	292	265	760	611
Excise taxes	100	342	100	429
Directors' fees	37	37	111	111
Expenses before incentive fee waiver	6,582	5,545	18,984	16,656
Incentive fee waiver			(250 )	
<b>Total expenses, net of incentive fee waiver</b>	<b>6,582</b>	<b>5,545</b>	<b>18,734</b>	<b>16,656</b>
<b>Net investment income</b>	<b>6,887</b>	<b>5,583</b>	<b>19,009</b>	<b>17,129</b>
<b>Net gain (loss) on investments, secured borrowings and foreign currency borrowings:</b>				
Net realized gain (loss):				
Non-controlled/non-affiliate company investments	(2,900 )		(572 )	587
Secured borrowings			66	
Net realized gain (loss)	(2,900 )		(506 )	587
Net change in unrealized gain (loss):				

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Non-controlled/non-affiliate company investments	3,099	200	3,788	(920 )
Non-controlled affiliate company investments	454	618	(8,902 )	3,814
Controlled affiliate company investments	(1,155 )	(2,666 )	(3,389 )	(3,741 )
Secured borrowings		(123 )	(6 )	(36 )
Foreign currency borrowings	(67 )		(83 )	
Net change in unrealized gain (loss)	2,331	(1,971 )	(8,592 )	(883 )
<b>Net gain (loss) on investments, secured borrowings and foreign currency borrowings</b>	(569 )	(1,971 )	(9,098 )	(296 )
<b>Net increase (decrease) in net assets resulting from operations</b>	\$6,318	\$3,612	\$9,911	\$16,833
<b>Per common share data:</b>				
Net investment income per share basic and diluted	\$0.34	\$0.36	\$1.05	\$1.24
Net increase in net assets resulting from operations per share basic and diluted	\$0.31	\$0.23	\$0.55	\$1.21
Weighted average common shares outstanding basic and diluted	20,240	15,559	18,081	13,864

See Notes to Consolidated Financial Statements.

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**CONSOLIDATED STATEMENTS OF CHANGES IN NET  
ASSETS  
(unaudited)  
(in thousands)**

	Common Stock		Capital in excess of par value	Undistributed net investment income (accumulated distributions in excess of net investment income)	Accumulated net realized gain (loss) on investment and secured borrowings	Accumulated net unrealized gain (loss) on secured and foreign currency borrowings	Total net assets
	Number of shares	Par value					
<b>Balances at December 31, 2015</b>	13,008	\$13	\$184,419	\$1,692	\$	\$(1,589)	\$184,535
Net increase (decrease) in net assets resulting from operations				17,129	587	(883 )	16,833
Issuance of common stock, net of offering and underwriting costs	3,566	4	52,551				52,555
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	4		70	(70 )			
Distributions from net investment income				(14,836)			(14,836 )
<b>Balances at September 30, 2016</b>	16,578	\$17	\$237,040	\$3,915	\$587	\$(2,472)	\$239,087
<b>Balances at December 31, 2016</b>	16,582	\$17	\$233,526	\$7,037	\$587	\$(317 )	\$240,850
Net increase (decrease) in net assets resulting from operations				19,009	(506)	(8,592)	9,911
Issuance of common stock, net of offering and underwriting costs	3,624	3	52,218				52,221
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	34		525	(525 )			
Distributions from net investment income				(19,440)			(19,440 )
<b>Balances at September 30, 2017</b>	20,240	\$20	\$286,269	\$6,081	\$81	\$(8,909)	\$283,542

See Notes to Consolidated Financial Statements.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**  
**(in thousands)**

	Nine months ended September 30,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$9,911	\$16,833
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized (gain) loss on investments	8,503	847
Net change in unrealized (gain) loss on secured borrowings	6	36
Net change in unrealized (gain) loss on foreign currency borrowings	83	
Net realized (gain) loss on investments	572	(587 )
Net realized (gain) loss on secured borrowings	(66 )	
Payment-in-kind interest income	(1,363 )	(1,430 )
Net accretion of discounts and amortization of premiums	(1,278 )	(1,137 )
Proceeds from principal payments and sales of investments	144,445	62,459
Purchases of investments	(169,056)	(95,717)
Amortization of deferred financing costs	760	603
Changes in operating assets and liabilities:		
Interest receivable	(1,577 )	(515 )
Other assets	116	329
Payable for open trades	7,425	(4,693 )
Interest payable	(194 )	(369 )
Management fees payable	204	91
Incentive fees payable	499	109
Accounts payable and accrued expenses	(265 )	827
Directors' fees payable	37	(37 )
<b>Net cash provided by (used in) operating activities</b>	<b>(1,238 )</b>	<b>(22,351 )</b>
<b>Cash flows from financing activities:</b>		
Borrowings on revolving credit facility	93,529	64,000
Repayments of revolving credit facility	(162,000)	(83,200)
SBA debentures borrowings	40,600	
Payments of deferred financing costs	(1,339 )	(917 )
Repayments on secured borrowings	(1,254 )	(902 )
Proceeds from shares sold, net of offering and underwriting costs	52,221	52,555
Stockholder distributions paid, net of stock issued under the dividend reinvestment plan of \$525 and \$70, respectively	(19,440 )	(14,836)
<b>Net cash provided by (used in) financing activities</b>	<b>2,317</b>	<b>16,700</b>

<b>Net increase (decrease) in Cash and Restricted Cash</b>	1,079	(5,651 )
<b>Cash and Restricted Cash, beginning of period<sup>(1)</sup></b>	8,331	13,866
<b>Cash and Restricted Cash, end of period<sup>(2)</sup></b>	\$9,410	\$8,215
Supplemental disclosure of cash flow information:		
Cash interest paid during the period	\$5,405	\$4,545
Cash paid for excise taxes during the period	\$495	\$284

Represents cash and restricted cash of \$5,958 and \$2,373, respectively, from the consolidated statements of assets (1) and liabilities as of December 31, 2016. Represents cash and restricted cash of \$5,278 and \$8,588, respectively, from the consolidated statements of assets and liabilities as of December 31, 2015.

(2) Represents cash and restricted cash of \$3,721 and \$5,689, respectively, from the consolidated statements of assets and liabilities as of September 30, 2017. Represents cash and restricted cash of \$5,974 and \$2,241, respectively, from the consolidated statements of assets and liabilities as of September 30, 2016.

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**(unaudited)**  
**September 30, 2017**  
**(in thousands, except for shares and units)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Non-Controlled/Non-Affiliate Company Investments</b>							
<b>Senior Secured Loans</b>							
<b>Banking, Finance, Insurance &amp; Real Estate</b>							
Bartlett Reserve Durham, LLC <sup>(e)</sup>	L+9.00 %	10.23	% 6/1/2018	6,468	\$6,385	\$6,346	2.2%
Echelon Funding I, LLC (Delayed Draw) <sup>(e)(f)(g)</sup>	L+10.25 %	11.49	% 2/24/2021	15,000	13,159	13,350	4.7%
Liftforward SPV II, LLC <sup>(e)(f)</sup>	L+10.75 %	11.99	% 11/10/2020	10,000	5,177	5,251	1.8%
				31,468	24,721	24,947	8.7%
<b>Beverage, Food &amp; Tobacco</b>							
All Holding Company, LLC <sup>(h)</sup>	L+7.00 %	8.24	% 11/15/2021	5,363	5,275	5,416	1.9%
California Pizza Kitchen, Inc.	L+6.00 %	7.24	% 8/23/2022	6,930	6,864	6,884	2.4%
				12,293	12,139	12,300	4.3%
<b>Construction &amp; Building</b>							
Cali Bamboo, LLC	L+8.00 %	9.24	% 7/10/2020	5,332	5,274	5,332	1.9%
Cali Bamboo, LLC (Revolver) <sup>(f)</sup>	L+8.00 %	9.24	% 7/10/2020	2,165	823	823	0.3%
Cornerstone Detention Products, Inc. <sup>(i)</sup>	L+9.50 %	9.74% Cash/ 1.00% PIK	4/8/2019	3,566	3,541	3,530	1.2%
Cornerstone Detention Products, Inc. (Revolver) <sup>(f)</sup>	L+8.50 %	9.83	% 4/8/2019	400	200	198	0.1%
L.A.R.K. Industries, Inc.	L+8.50 %	9.74	% 9/3/2019	8,038	7,939	8,050	2.8%
				19,501	17,777	17,933	6.3%
<b>Consumer Goods: Durable</b>							
Parterre Flooring & Surface Systems LLC <sup>(h)</sup>	L+7.25 %	8.49	% 8/22/2022	12,000	11,762	11,952	4.2%
Parterre Flooring & Surface Systems LLC (Revolver) <sup>(f)</sup>	L+7.25 %	8.49	% 8/22/2022	2,400			0.0%
				14,400	11,762	11,952	4.2%
<b>Consumer Goods: Non-Durable</b>							
Bluestem Brands, Inc.	L+7.50 %	8.74	% 11/6/2020	2,637	2,620	1,870	0.7%
Solaray, LLC	L+6.50 %	7.82	% 9/9/2023	3,264	3,235	3,264	1.2%

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Solaray, LLC (Delayed Draw)	L+6.50 %	7.83	%	9/9/2023	701	701	701	0.2%
					6,602	6,556	5,835	2.1%
<b>Energy: Oil &amp; Gas</b>								
Landpoint, LLC	L+12.75 %	12.00% Cash/ 2.25% PIK	(i)	12/20/2019	2,394	2,376	2,346	0.8%
Landpoint, LLC (Revolver) <sup>(f)</sup>	L+10.50 %	12.00	%	12/20/2019	313			0.0%
					2,707	2,376	2,346	0.8%
<b>Environmental Industries</b>								
Synergy Environmental Corporation <sup>(h)</sup>	L+8.00 %	9.24	%	4/29/2021	3,051	2,993	3,082	1.1%
Synergy Environmental Corporation <sup>(h)</sup>	L+8.00 %	9.24	%	4/29/2021	510	501	515	0.2%
Synergy Environmental Corporation (Delayed Draw) <sup>(f)(g)</sup>	L+8.00 %	9.24	%	4/29/2018	1,342			0.0%
Synergy Environmental Corporation (Revolver) <sup>(f)</sup>	L+8.00 %	9.24	%	4/29/2021	671	47	47	0.0%
					5,574	3,541	3,644	1.3%
<b>Healthcare &amp; Pharmaceuticals</b>								
American Optics Holdco, Inc. <sup>(e)(k)</sup>	L+8.00 %	9.24	%	9/13/2022	4,144	4,062	4,061	1.4%
American Optics Holdco, Inc. (Revolver) <sup>(e)(f)(k)</sup>	L+8.00 %	9.24	%	9/13/2022	440			0.0%
American Optics Holdco, Inc. <sup>(e)(k)</sup>	L+8.00 %	9.24	%	9/13/2022	762	747	747	0.3%
American Optics Holdco, Inc. (Revolver) <sup>(e)(f)(k)</sup>	L+8.00 %	9.24	%	9/13/2022	440			0.0%
Beaver-Visitec International Holdings, Inc.	L+5.00 %	6.33	%	8/19/2023	4,950	4,907	4,975	1.7%
Edge Systems Holdings Corp.	L+7.75 %	8.99	%	12/1/2021	3,406	3,347	3,465	1.2%
Edge Systems Holdings Corp. (Revolver) <sup>(f)</sup>	P+6.75 %	11.00	%	12/1/2021	260	31	31	0.0%
Familia Dental Group Holdings, LLC <sup>(h)</sup>	L+8.00 %	9.24	%	4/8/2021	5,294	5,229	5,336	1.9%
Familia Dental Group Holdings, LLC	L+8.00 %	9.24	%	4/8/2021	509	509	513	0.2%
Familia Dental Group Holdings, LLC (Revolver) <sup>(f)</sup>	L+8.00 %	9.24	%	4/8/2021	573	229	229	0.1%
					20,778	19,061	19,357	6.8%

See Notes to Consolidated Financial Statements.

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**(unaudited)**

**September 30, 2017**

**(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>High Tech Industries</b>							
Answers Finance, LLC	L+5.00 %	6.24 %	4/15/2021	254	\$251	\$248	0.1 %
BCC Software, LLC <sup>(h)</sup>	L+8.00 %	9.24 %	6/20/2019	3,139	3,109	3,150	1.1 %
BCC Software, LLC (Revolver) <sup>(f)</sup>	L+8.00 %	9.24 %	6/20/2019	469			0.0 %
Corbett Technology Solutions, Inc. <sup>(h)</sup>	L+7.00 %	8.24 %	11/7/2021	4,331	4,276	4,375	1.5 %
Corbett Technology Solutions, Inc. (Revolver) <sup>(f)</sup>	L+7.00 %	8.24 %	11/7/2021	868	217	217	0.1 %
Energy Services Group, LLC	L+9.82 %	11.16 %	5/4/2022	4,620	4,564	4,657	1.6 %
Energy Services Group, LLC <sup>(e)(l)</sup>	L+9.82 %	10.82 %	5/4/2022	2,474	2,360	2,485	0.9 %
Energy Services Group, LLC (Delayed Draw) <sup>(f)(g)</sup>	L+9.82 %	11.16 %	5/4/2022	1,313	1,096	1,121	0.4 %
Newforma, Inc. <sup>(h)</sup>	L+7.50 %	8.83 %	6/30/2022	15,000	14,782	15,060	5.3 %
Newforma, Inc. (Revolver) <sup>(f)</sup>	L+7.50 %	8.83 %	6/30/2022	1,250	175	175	0.1 %
				33,718	30,830	31,488	11.1 %
<b>Hotels, Gaming &amp; Leisure</b>							
BC Equity Ventures LLC	L+6.50 %	7.74 % 10.33%	8/31/2022	2,592	2,548	2,631	0.9 %
Miles Partnership LLC	L+11.00 %	Cash/ 2.00% PIK 10.33%	3/24/2021	5,925	5,884	5,964	2.1 %
Miles Partnership LLC (Delayed Draw) <sup>(f)(g)</sup>	L+11.00 %	Cash/ 2.00% PIK 10.33%	3/24/2021	1,417	1,071	1,076	0.4 %
Miles Partnership LLC (Revolver) <sup>(f)</sup>	L+11.00 %	Cash/ 2.00% PIK	3/24/2021	320	160	160	0.1 %
TRG, LLC	L+12.41 %	8.74% <sup>(m)</sup> Cash/	3/31/2021	17,079	16,982	17,173	6.1 %

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						4.91%			
						PIK			
						8.73%			
TRG, LLC (CapEx) <sup>(f)</sup>	L+9.50 %			3/31/2021	1,592	958	967	0.3	%
						Cash/ 2.00%			
TRG, LLC (Revolver) <sup>(f)</sup>	L+9.50 %			3/31/2021	262	131	131	0.0	%
						PIK			
						8.24%			
Vacation Innovations, LLC <sup>(n)</sup>	L+9.66 %			8/20/2020	9,477	9,353	10,414	3.7	%
						Cash/ 2.66%			
						(o)			
						PIK			
Vacation Innovations, LLC (Delayed Draw) <sup>(f)(g)</sup>	L+7.00 %	8.24 %		8/20/2020	2,037			0.0	%
Vacation Innovations, LLC (Revolver) <sup>(f)</sup>	L+7.00 %	8.24 %		8/20/2020	342			0.0	%
					41,043	37,087	38,516	13.6	%
<b>Media: Advertising, Printing &amp; Publishing</b>									
AdTheorent, Inc.	L+8.50 %	9.74 %		12/22/2021	4,938	4,851	4,965	1.8	%
Destination Media, Inc. <sup>(h)</sup>	L+6.50 %	7.74 %		4/7/2022	7,900	7,791	8,034	2.8	%
Destination Media, Inc. (Revolver) <sup>(f)</sup>	L+6.50 %	7.74 %		4/7/2022	542			0.0	%
					13,380	12,642	12,999	4.6	%
<b>Media: Broadcasting &amp; Subscription</b>									
Jerry Lee Radio, LLC	L+9.50 %	10.74 %		12/17/2020	11,927	11,719	11,927	4.2	%
					11,927	11,719	11,927	4.2	%
<b>Retail</b>									
Forman Mills, Inc. <sup>(h)</sup>	L+7.50 %	8.74 %		10/4/2021	8,500	8,358	8,415	3.0	%
LuLu s Fashion Lounge, LLC	L+7.00 %	8.24 %		8/23/2022	5,000	4,852	5,010	1.8	%
The Worth Collection, Ltd. <sup>(h)</sup>	L+8.50 %	9.74 %		9/29/2021	10,588	10,411	9,095	3.2	%
Yandy Holding, LLC	L+9.00 %	10.24 %		9/30/2019	4,884	4,851	4,748	1.7	%
Yandy Holding, LLC (Revolver) <sup>(f)</sup>	L+9.00 %	10.24 %		9/30/2019	907			0.0	%
					29,879	28,472	27,268	9.7	%
<b>Services: Business</b>									
APCO Worldwide, Inc.	L+8.00 %	9.24 %		6/30/2022	5,000	4,904	4,990	1.8	%
EB Employee Solutions, LLC <sup>(h)</sup>	L+8.50 %	10.00 %		2/28/2019	3,219	3,188	3,127	1.1	%
First Call Resolution, LLC <sup>(h)</sup>	L+8.00 %	9.24 %		9/22/2022	5,000	4,913	4,913	1.7	%
Madison Logic, Inc. <sup>(h)</sup>	L+8.00 %	9.24 %		11/30/2021	10,303	10,124	10,355	3.6	%
Madison Logic, Inc. (Delayed Draw) <sup>(f)(g)</sup>	L+8.00 %	9.24 %		11/30/2021	4,818			0.0	%
Madison Logic, Inc. (Revolver) <sup>(f)</sup>	L+8.00 %	9.24 %		11/30/2021	988			0.0	%
Q-Tragon Holdings, LLC <sup>(h)</sup>	L+7.00 %	8.24 %		5/2/2022	3,908	3,854	3,879	1.4	%
Q-Tragon Holdings, LLC (Revolver) <sup>(f)</sup>	L+7.00 %	8.24 %		5/2/2022	307			0.0	%
					33,543	26,983	27,264	9.6	%
<b>Services: Consumer</b>									
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	L+5.50 %	6.80 %		7/1/2020	4,560	4,499	4,571	1.6	%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	L+11.50 %	12.80 %		7/1/2020	4,780	4,712	4,758	1.7	%

See Notes to Consolidated Financial Statements.



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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**(unaudited)**

**September 30, 2017**

**(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) <sup>(f)</sup>	L+8.50 %	9.80 %	8/11/2018	236	\$	\$	0.0 %
				9,576	9,211	9,329	3.3 %
<b>Telecommunications</b>							
Peerless Network, Inc. <sup>(h)</sup>	L+9.25 %	9.74% Cash/ 0.75% PIK <sup>(p)</sup>	12/11/2020	3,325	3,268	3,333	1.2 %
				3,325	3,268	3,333	1.2 %
<b>Utilities: Electric</b>							
CRCI Holdings, Inc.	L+5.50 %	6.83 %	8/31/2023	2,782	2,758	2,801	1.0 %
				2,782	2,758	2,801	1.0 %
<b>Wholesale</b>							
Mid-West Wholesale Hardware Co. <sup>(h)</sup>	L+8.00 %	9.24 %	2/9/2022	11,910	11,697	11,803	4.2 %
Mid-West Wholesale Hardware Co. (Revolver) <sup>(f)</sup>	L+8.00 %	9.24 %	2/9/2022	4,421	505	501	0.2 %
				16,331	12,202	12,304	4.4 %
<b>Total Non-Controlled/Non-Affiliate Senior Secured Loans</b>				<b>308,827</b>	<b>273,105</b>	<b>275,543</b>	<b>97.2 %</b>
<b>Unitranche Loans</b>							
<b>Chemicals, Plastics &amp; Rubber</b>							
MFG Chemical, LLC <sup>(h)</sup>	L+6.00 %	7.24 %	6/23/2022	8,855	8,729	8,864	3.1 %
				8,855	8,729	8,864	3.1 %
<b>Consumer Goods: Non-Durable</b>							
Incipio Technologies, Inc. <sup>(q)</sup>	L+7.75 %	8.99 %	12/26/2019	13,728	13,546	13,371	4.7 %
				13,728	13,546	13,371	4.7 %
<b>Healthcare &amp; Pharmaceuticals</b>							
Collaborative Neuroscience Network, LLC	L+11.50 %	13.00 %	12/27/2017	6,120	6,071	5,955	2.1 %
			12/26/2017	293	293	293	0.1 %



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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**(unaudited)**  
**September 30, 2017**  
**(in thousands, except for shares and**  
**units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Media: Broadcasting &amp; Subscription</b>							
Mergermarket USA, Inc. <sup>(s)</sup>	L+7.25 %	8.49 %	8/3/2025	4,500	\$4,455	\$4,539	1.6 %
				4,500	4,455	4,539	1.6 %
<b>Media: Diversified &amp; Production</b>							
SCP TPZ Acquisition, Inc.	L+8.25 %	9.57 %	5/29/2022	5,000	4,945	5,006	1.8 %
				5,000	4,945	5,006	1.8 %
<b>Services: Consumer</b>							
Education Corporation of America	L+11.00 %	12.33 %	12/31/2018	625	618	625	0.2 %
Pre-Paid Legal Services, Inc. (Legal Shield)	L+9.00 %	10.25 %	7/1/2020	3,000	3,000	3,024	1.1 %
				3,625	3,618	3,649	1.3 %
<b>Total Non-Controlled/Non-Affiliate Junior Secured Loans Equity Securities<sup>(t)</sup></b>				<b>38,906</b>	<b>38,391</b>	<b>38,555</b>	<b>13.6 %</b>
<b>Healthcare &amp; Pharmaceuticals</b>							
Collaborative Neuroscience Network, LLC (warrant to purchase up to 4 LLC units)			(u) 12/27/2022				0.0 %
							0.0 %
<b>High Tech Industries</b>							
Answers Finance, LLC (76,539 shares of common stock)			(u)		2,413	1,244	0.4 %
					2,413	1,244	0.4 %
<b>Hotels, Gaming &amp; Leisure</b>							
Playtime, LLC Preferred Units (8,665 units)			(u)		200	33	0.0 %
					200	33	0.0 %
<b>Media: Advertising, Printing &amp; Publishing</b>							
AdTheorent, Inc. (128,866 units)			(u)		129	142	0.1 %

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InMobi Pte, Ltd. (represents the right to purchase 2.80% of the equity) <sup>(e)(k)</sup>			(u)	9/18/2025			215	0.1	%
							129	357	0.2 %
<b>Retail</b>									
The Tie Bar Operating Company, LLC Class A Preferred Units (1,275 units)							86	118	0.0 %
The Tie Bar Operating Company, LLC Class B Preferred Units (1,275 units)							1		0.0 %
							87	118	0.0 %
<b>Services: Consumer</b>									
Education Corporation of America Series G Preferred Stock (8,333 shares)	n/a	12.00 %					8,125	8,192	2.9 %
							8,125	8,192	2.9 %
<b>Total Non-Controlled/Non-Affiliate Equity Securities</b>							<b>10,954</b>	<b>9,944</b>	<b>3.5 %</b>
<b>Total Non-Controlled/Non-Affiliate Company Investments</b>							<b>367,226</b>	<b>368,634</b>	<b>130.0 %</b>
<b>Non-Controlled Affiliate Company Investments<sup>(v)</sup></b>									
<b>Senior Secured Loans</b>									
<b>Banking, Finance, Insurance &amp; Real Estate</b>									
American Community Homes, Inc.	L+8.00 %	9.50 %	9.50 %	7/22/2019		7,667	7,581	7,441	2.6 %
American Community Homes, Inc.	L+12.50 %	Cash/4.50%	PIK 9.50%	7/22/2019		4,363	4,320	4,269	1.5 %
American Community Homes, Inc.	L+12.50 %	Cash/4.50%	PIK	n/a	(w)	536	529	536	0.2 %
American Community Homes, Inc.	L+8.00 %	9.50 %	9.50 %	7/22/2019		444	433	430	0.2 %
American Community Homes, Inc.	L+12.50 %	Cash/4.50%	PIK	7/22/2019		226	220	221	0.1%

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**(unaudited)**

**September 30, 2017**

**(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
American Community Homes, Inc. (Delayed Draw) <sup>(f)(g)</sup>	L+8.00 %	9.50 %	7/22/2019	444	\$	\$	0.0 %
American Community Homes, Inc. (Delayed Draw) <sup>(f)(g)</sup>	L+12.50 %	9.50% Cash/ 4.50% PIK	7/22/2019	222			0.0 %
				13,902	13,083	12,897	4.6 %
<b>Consumer Goods: Non-Durable</b>							
Rocket Dog Brands, LLC	n/a	12.00% PIK <sup>(x)</sup>	8/29/2019	1,157	1,157		0.0 %
Rocket Dog Brands, LLC	n/a	15.00% PIK <sup>(x)</sup>	8/29/2019	422	416	54	0.0 %
Rocket Dog Brands, LLC	n/a	17.00% PIK <sup>(x)</sup>	3/30/2018	235	235	202	0.1 %
				1,814	1,808	256	0.1 %
<b>Containers, Packaging &amp; Glass</b>							
Summit Container Corporation <sup>(h)</sup>	L+12.00 %	12.00% Cash/ 2.00% PIK	1/6/2019	3,575	3,552	3,421	1.2 %
Summit Container Corporation <sup>(h)</sup>	L+12.00 %	12.00% Cash/ 2.00% PIK	9/27/2022	1,500	1,500	1,498	0.5 %
				5,075	5,052	4,919	1.7 %
<b>Healthcare &amp; Pharmaceuticals</b>							
Rockdale Blackhawk, LLC	L+13.00 %	14.24 %	3/31/2020	10,922	10,302	10,797	3.8 %
Rockdale Blackhawk, LLC (Capex)	L+13.00 %	14.24 %	3/31/2020	549	549	542	0.2 %
Rockdale Blackhawk, LLC (Revolver)	L+13.00 %	14.24 %	3/31/2020	1,849	1,849	1,824	0.6 %
Rockdale Blackhawk, LLC (Revolver)	L+13.00 %	14.24 %	3/31/2020	3,236	3,236	3,192	1.1 %
SHI Holdings, Inc. <sup>(h)</sup>	L+9.75 %	10.99 %	7/10/2019	2,625	2,604	2,625	0.9 %
SHI Holdings, Inc. (Revolver) <sup>(f)</sup>	L+9.75 %	10.99 %	7/10/2019	2,046	2,024	2,035	0.7 %
				21,227	20,564	21,015	7.3 %
<b>Retail</b>							
Luxury Optical Holdings Co.	L+8.00 %	9.24% PIK	9/12/2019	4,151	4,116	3,580	1.3 %
	L+11.50 %	12.74% PIK	9/12/2019	1,176	741	741	0.3 %



Luxury Optical Holdings Co. (Delayed Draw) <sup>(f)(g)</sup>									
Luxury Optical Holdings Co. (Revolver)	L+8.00 %	9.24% PIK	9/12/2019	191	191	165	0.1	%	
				5,518	5,048	4,486	1.7	%	
<b>Total Non-Controlled Affiliate Senior Secured Loans</b>				<b>47,536</b>	<b>45,555</b>	<b>43,573</b>	<b>15.4</b>	<b>%</b>	
<b>Junior Secured Loans</b>									
<b>Consumer Goods: Non-Durable</b>									
Rocket Dog Brands, LLC	n/a	15.00% PIK <sup>(x)</sup>	5/1/2020	2,011	2,011		0.0	%	
				2,011	2,011		0.0	%	
<b>Total Non-Controlled Affiliate Company Junior Secured Loans</b>				<b>2,011</b>	<b>2,011</b>		<b>0.0</b>	<b>%</b>	
<b>Equity Securities</b>									
<b>Banking, Finance, Insurance &amp; Real Estate</b>									
American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity)			<sup>(u)</sup> 10/9/2024			610	0.2	%	
						610	0.2	%	
<b>Consumer Goods: Non-Durable</b>									
Rocket Dog Brands, LLC Common Units (75,502 units)			<sup>(u)</sup>				0.0	%	
Rocket Dog Brands, LLC Preferred Units (10 units)	n/a	15.00% PIK <sup>(y)</sup>				967	0.0	%	
						967	0.0	%	
<b>Containers, Packaging &amp; Glass</b>									
Summit Container Corporation (warrant to purchase up to 19.50% of the equity)			<sup>(u)</sup> 1/6/2024				0.0	%	
							0.0	%	
<b>Healthcare &amp; Pharmaceuticals</b>									
Rockdale Blackhawk, LLC LLC Units (11.56% of the LLC interest)						1,093	8,620	3.0	%
SHI Holdings, Inc. (24 shares of common stock)			<sup>(u)</sup>			27	792	0.3	%
						1,120	9,412	3.3%	

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**(unaudited)**  
**September 30, 2017**  
**(in thousands, except for shares and**  
**units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Retail</b>							
Luxury Optical Holdings Co. (86 shares of common stock)		(u)			\$	\$	0.0 %
							0.0 %
<b>Total Non-Controlled Affiliate Equity Securities</b>					<b>2,087</b>	<b>10,022</b>	<b>3.5 %</b>
<b>Total Non-Controlled Affiliate Company Investments</b>					<b>49,653</b>	<b>53,595</b>	<b>18.9 %</b>
<b>Controlled Affiliate Company Investments<sup>(z)</sup></b>							
<b>Senior Secured Loans</b>							
<b>Retail</b>							
TPP Operating, Inc.	L+6.00%	7.50% <sup>(x)</sup> PIK	11/8/2018	9,370	9,330		0.0 %
TPP Operating, Inc.	L+6.00%	7.50 % <sup>(x)</sup>	11/8/2018	6,885	6,885	5,295	1.9 %
TPP Operating, Inc.	L+9.61%	11.11 % <sup>(x)</sup>	11/8/2018	3,573	3,573	3,573	1.2 %
<b>Total Controlled Affiliate Senior Secured Loans</b>				<b>19,828</b>	<b>19,788</b>	<b>8,868</b>	<b>3.1 %</b>
<b>Equity Securities</b>							
<b>Retail</b>							
TPP Acquisition, Inc. (829 shares of common stock)		(u)					0.0 %
TPP Operating, Inc. (40 shares of common stock)		(u)			3,255		0.0 %
<b>Total Controlled Affiliate Equity Securities</b>					<b>3,255</b>		<b>0.0 %</b>
<b>Total Controlled Affiliate Company Investments</b>					<b>23,043</b>	<b>8,868</b>	<b>3.1 %</b>
<b>TOTAL INVESTMENTS</b>					<b>\$439,922</b>	<b>\$431,097</b>	<b>152.0 %</b>

All of our investments are issued by eligible portfolio companies, as defined in the Investment Company Act of (a) 1940 (the 1940 Act ), unless otherwise noted. All of our investments are issued by U.S. portfolio companies unless otherwise noted.

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ( LIBOR or L ) or Prime Rate ( Prime or P ) which reset daily, monthly, quarterly, or semiannually. (b) each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at September 30, 2017. Certain investments are subject to a LIBOR or Prime interest rate floor.

Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith using significant unobservable inputs by our board of directors as required by the (c) Investment Company Act of 1940. (See Note 4 in the accompanying notes to the consolidated financial statements.)

(d) Percentages are based on net assets of \$283,542 as of September 30, 2017.

(e) This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company s total assets. As of September 30, 2017, non-qualifying assets totaled 7.29% of the Company s total assets.

(f) All or a portion of this commitment was unfunded at September 30, 2017. As such, interest is earned only on the funded portion of this commitment.

(g) This delayed draw loan requires that certain financial covenants be met by the portfolio company prior to any fundings.

(h) All of this loan is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

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**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
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**September 30, 2017**  
**(in thousands, except for shares and**  
**units) (continued)**

- (i) A portion of this loan (principal of \$2,139) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (j) The PIK portion of the interest rate for Landpoint, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.25% per annum.
- (k) This is an international company.
- (l) This term loan is denominated in Great Britain pounds and is translated into U.S. dollars as of the valuation date.
- (m) A portion of the PIK interest rate for TRG, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.91% per annum.
- (n) A portion of this loan (principal of \$4,185) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (o) A portion of the PIK interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.16% per annum.
- (p) The PIK portion of the interest rate for Peerless Network, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.75% per annum.
- (q) A portion of this loan (principal of \$5,034) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (r) The PIK portion of the interest rate for Gracelock Industries, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 4.24% per annum.
- (s) Investment position or portion thereof unsettled as of September 30, 2017.
- (t) Represents less than 5% ownership of the portfolio company's voting securities.
- (u) Represents a non-income producing security.
- (v) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of the portfolio company as it owns five percent or more of the portfolio company's voting securities. See Note 5 in the accompanying notes to the consolidated financial statements for additional information on transactions in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to control).
- (w) This is a demand note with no stated maturity.
- (x) This position was on non-accrual status as of September 30, 2017, meaning that the Company has ceased accruing interest income on the position. See Note 2 in the accompanying notes to the consolidated financial statements for additional information on the Company's accounting policies.
- (y) This position includes a PIK dividend and is currently on non-accrual status.
- (z) As defined in the 1940 Act, the Company is deemed to be both an Affiliated Person of and to Control this portfolio company as it owns more than 25% in company's voting securities. See Note 5 in the accompanying notes to the consolidated financial statements for additional information on transactions in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control.

n/a not applicable

See Notes to Consolidated Financial Statements.

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Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Non-Controlled/Non-Affiliate Company Investments</b>							
<b>Senior Secured Loans</b>							
<b>Aerospace &amp; Defense</b>							
Cyalume Technologies Holdings, Inc. <sup>(e)</sup>	L+9.00 %	10.00 %	5/18/2020	4,291	\$4,204	\$4,462	1.9 %
Cyalume Technologies Holdings, Inc. (Delayed Draw)	L+9.00 %	10.00 %	5/18/2020	387	387	402	0.2 %
Cyalume Technologies Holdings, Inc. (Revolver) <sup>(f)</sup>	L+9.00 %	10.00 %	5/18/2020	1,528			0.0 %
				6,206	4,591	4,864	2.1 %
<b>Automotive</b>							
Inteva Products, LLC	L+8.50 %	9.75 %	9/8/2021	1,978	1,967	1,998	0.8 %
Tectum Holdings, Inc.	L+4.75 %	5.75 %	8/24/2023	1,995	1,976	2,025	0.8 %
				3,973	3,943	4,023	1.6 %
<b>Banking, Finance, Insurance &amp; Real Estate</b>							
Liftforward SPV II, LLC <sup>(f)(g)</sup>	L+10.75 %	11.51 %	11/10/2020	10,000	254	254	0.1 %
Repay Holdings, LLC	L+9.00 %	9.76 %	9/1/2021	12,000	11,802	11,934	5.0 %
Repay Holdings, LLC (Revolver) <sup>(f)</sup>	L+9.00 %	9.76 %	9/1/2021	1,200			0.0 %
Shields Land Company of Georgia, LLC <sup>(g)</sup>	L+9.50 %	10.15 %	12/28/2017	2,450	2,425	2,445	1.0 %
				25,650	14,481	14,633	6.1 %
<b>Beverage, Food &amp; Tobacco</b>							
All Holding Company, LLC <sup>(e)</sup>	L+7.00 %	7.76 %	11/15/2021	5,466	5,363	5,493	2.3 %
California Pizza Kitchen, Inc.	L+6.00 %	7.00 %	8/23/2022	6,983	6,913	6,966	2.9 %
				12,449	12,276	12,459	5.2 %
<b>Construction &amp; Building</b>							
Cali Bamboo, LLC	L+8.50 %	9.26 %	7/10/2020	5,423	5,350	5,531	2.3 %
Cali Bamboo, LLC (Revolver) <sup>(f)</sup>	L+8.50 %	9.26 %	7/10/2020	1,624	65	65	0.0 %
Cornerstone Detention Products, Inc. <sup>(h)</sup>	L+10.50 %	10.50% Cash/ 1.00% PIK	4/8/2019	3,784	3,747	3,599	1.5 %

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Cornerstone Detention Products, Inc. (Revolver) <sup>(f)</sup>	L+9.50 %	10.50 %	4/8/2019	400				0.0 %
G&M Opco LLC <sup>(e)</sup>	L+7.50 %	8.26 %	6/23/2020	3,006	2,951	3,066		1.3 %
L.A.R.K. Industries, Inc.	L+7.00 %	8.00 %	9/3/2019	6,257	6,169	6,341		2.6 %
				20,494	18,282	18,602		7.7 %
<b>Consumer Goods: Non-Durable</b>								
360 Holdings III Corp.	L+9.00 %	10.00 %	10/1/2021	5,925	5,718	5,718		2.4 %
Bluestem Brands, Inc.	L+7.50 %	8.50 %	11/6/2020	2,758	2,737	2,404		1.0 %
Solaray, LLC	L+6.50 %	7.50 %	9/9/2023	3,297	3,265	3,280		1.4 %
Solaray, LLC (Delayed Draw) <sup>(f)(i)</sup>	L+6.50 %	7.50 %	9/9/2023	703				0.0 %
				12,683	11,720	11,402		4.8 %
<b>Energy: Oil &amp; Gas</b>								
Diesel Direct Holdings, Inc. <sup>(e)</sup>	L+7.00 %	7.76 %	2/17/2020	5,225	5,217	5,277		2.2 %
		12.00%						
Landpoint, LLC	L+12.75 %	Cash/ 2.25%	(i) 12/20/2019	2,632	2,602	2,526		1.1 %
		PIK						
Landpoint, LLC (Revolver) <sup>(f)</sup>	L+10.50 %	12.00 %	12/20/2019	313				0.0 %
				8,170	7,819	7,803		3.3 %
<b>Environmental Industries</b>								
Synergy Environmental Corporation <sup>(e)</sup>	L+8.00 %	8.76 %	4/29/2021	3,130	3,068	3,148		1.3 %
Synergy Environmental Corporation <sup>(e)</sup>	L+8.00 %	8.76 %	4/29/2021	523	513	526		0.2 %
Synergy Environmental Corporation (Delayed Draw) <sup>(f)(i)</sup>	L+8.00 %	8.76 %	4/29/2018	1,342				0.0 %
Synergy Environmental Corporation (Revolver) <sup>(f)</sup>	L+8.00 %	8.76 %	4/29/2021	671	94	94		0.0 %
				5,666	3,675	3,768		1.5 %
<b>Healthcare &amp; Pharmaceuticals</b>								
Beaver-Visitec International Holdings, Inc.	L+5.00 %	6.00 %	8/19/2023	4,988	4,939	4,988		2.1 %
Edge Systems Holdings Corp.	L+8.00 %	9.00 %	11/29/2021	3,740	3,667	3,665		1.5 %
Edge Systems Holdings Corp. (Revolver) <sup>(f)</sup>	L+8.00 %	9.00 %	11/29/2021	260				0.0 %
Familia Dental Group Holdings, LLC <sup>(e)</sup>	L+8.00 %	8.76 %	4/8/2021	5,397	5,327	5,480		2.3 %
Familia Dental Group Holdings, LLC (Delayed Draw)	L+8.00 %	8.76 %	4/8/2021	519	519	527		0.2 %

See Notes to Consolidated Financial Statements.

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2016****(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
Familia Dental Group Holdings, LLC (Revolver) <sup>(f)</sup>	L+8.00 %	8.76 %	4/8/2021	573	\$57	\$57	0.0 %
Precision Toxicology, LLC <sup>(e)</sup>	L+11.50 %	10.26% Cash/ 2.00% PIK	3/24/2020	4,242	4,186	4,244	1.8 %
				19,719	18,695	18,961	7.9 %
<b>High Tech Industries</b>							
Answers Corporation	P+6.25 %	10.00 % <sup>(k)</sup>	10/1/2021	2,903	2,819	1,495	0.6 %
BCC Software, LLC <sup>(e)</sup>	L+8.00 %	9.00 %	6/20/2019	2,204	2,186	2,203	0.9 %
BCC Software, LLC (Revolver) <sup>(f)</sup>	L+8.00 %	9.00 %	6/20/2019	469			0.0 %
Corbett Technology Solutions, Inc. <sup>(e)</sup>	L+7.00 %	7.76 %	11/7/2021	4,500	4,434	4,511	1.9 %
Corbett Technology Solutions, Inc. (Revolver) <sup>(f)</sup>	L+7.00 %	7.76 %	11/7/2021	867			0.0 %
				10,943	9,439	8,209	3.4 %
<b>Hotels, Gaming &amp; Leisure</b>							
BC Equity Ventures LLC	L+6.50 %	7.50 %	8/31/2022	2,612	2,562	2,635	1.1 %
BC Equity Ventures LLC	L+6.50 %	7.50 %	8/31/2022	375	372	373	0.2 %
Miles Media Group LLC	L+11.00 %	10.00% Cash/ 2.00% PIK	3/24/2021	6,110	6,052	6,119	2.5 %
Miles Media Group LLC (Delayed Draw) <sup>(f)(i)</sup>	L+11.00 %	10.00% Cash/ 2.00% PIK	3/24/2021	1,455			0.0 %
Miles Media Group LLC (Revolver) <sup>(f)</sup>	L+11.00 %	10.00% Cash/ 2.00% PIK	3/24/2021	320			0.0 %
TRG, LLC	L+13.80 %	8.12% Cash/	3/31/2021	11,876	11,837	11,960	5.0 %



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			6.30%							
			PIK <sup>(l)</sup>							
TRG, LLC (Revolver)	L+9.50 %	10.12 %		3/31/2021	131	131	131	0.1	%	
			8.12%							
TRG, LLC (CapEx) <sup>(f)</sup>	L+9.50 %	Cash/ 2.00%		3/31/2021	1,609	943	946	0.4	%	
			PIK							
			7.76%							
Vacation Innovations, LLC <sup>(m)</sup>	L+9.40 %	Cash/ 2.42%		8/20/2020	10,553	10,382	10,848	4.5	%	
			PIK <sup>(n)</sup>							
			7.76%							
Vacation Innovations, LLC (Revolver) <sup>(f)</sup>	L+8.50 %	Cash/ 1.50%		8/20/2020	342			0.0	%	
			PIK							
			7.76%							
Vacation Innovations, LLC (Delayed Draw) <sup>(f)(i)</sup>	L+8.50 %	Cash/ 1.50%		8/20/2020	2,037			0.0	%	
			PIK							
					37,420	32,279	33,012	13.8	%	
<b>Media: Advertising, Printing &amp; Publishing</b>										
AdTheorent, Inc.	L+8.50 %	9.26 %		12/22/2021	5,000	4,908	4,900	2.0	%	
AdTheorent, Inc. (Revolver) <sup>(f)</sup>	L+8.50 %	9.26 %		12/22/2021	515	77	77	0.0	%	
InMobi Pte, Ltd. (Delayed Draw) <sup>(f)(g)(i)</sup>	L+10.17 %	10.98 %		9/1/2018	10,000	6,667	6,587	2.7	%	
					15,515	11,652	11,564	4.7	%	
<b>Media: Broadcasting &amp; Subscription</b>										
Jerry Lee Radio, LLC	L+9.50 %	10.26 %		12/17/2020	13,407	13,127	13,675	5.7	%	
					13,407	13,127	13,675	5.7	%	
<b>Metals &amp; Mining</b>										
O Brien Industrial Holdings, LLC	L+7.75 %	8.75 %		5/13/2019	5,286	5,219	5,268	2.2	%	
					5,286	5,219	5,268	2.2	%	
<b>Retail</b>										
Forman Mills, Inc. <sup>(e)</sup>	L+7.50 %	8.50 %		10/4/2021	8,500	8,337	8,470	3.5	%	
			9.00%							
Luxury Optical Holdings Co.	L+11.50 %	Cash/ 3.50%		9/12/2019	4,012	3,965	3,948	1.6	%	
			PIK							
Luxury Optical Holdings Co. (Revolver) <sup>(f)</sup>	L+8.00 %	9.00 %		9/12/2019	273			0.0	%	
The Worth Collection, Ltd. <sup>(e)</sup>	L+8.50 %	9.26 %		9/29/2021	11,000	10,789	11,132	4.6	%	
Yandy Holding, LLC	L+9.00 %	10.00 %		9/30/2019	5,677	5,625	5,581	2.3	%	
Yandy Holding, LLC (Revolver) <sup>(f)</sup>	L+9.00 %	10.00 %		9/30/2019	907			0.0	%	
					30,369	28,716	29,131	12.0	%	
<b>Services: Business</b>										
EB Employee Solutions, LLC <sup>(e)</sup>	L+8.50 %	10.00 %		2/28/2019	3,370	3,324	3,263	1.4	%	
Madison Logic, Inc. <sup>(e)</sup>	L+8.00 %	8.76 %		11/30/2021	10,500	10,291	10,610	4.4	%	
Madison Logic, Inc. (Delayed Draw) <sup>(f)(i)</sup>	L+8.00 %	8.76 %		11/30/2021	4,818			0.0	%	
Madison Logic, Inc. (Revolver) <sup>(f)</sup>	L+8.00 %	8.76 %		11/30/2021	988			0.0	%	
SNI Companies <sup>(o)</sup>	L+8.00 %	9.00 %		12/31/2018	5,357	5,299	5,378	2.2	%	

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SNI Companies (Revolver) <sup>(f)</sup>	L+8.00 %	9.00 %	12/31/2018	1,250	313	313	0.1 %
				26,283	19,227	19,564	8.1%

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2016****(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Services: Consumer</b>							
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	L+5.50 %	6.50 %	7/1/2020	4,698	\$4,619	\$4,693	1.9 %
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	L+11.50 %	12.50 %	7/1/2020	4,849	4,765	4,805	2.0 %
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) <sup>(f)</sup>	L+8.50 %	9.50 %	8/11/2017	236			0.0 %
				9,783	9,384	9,498	3.9 %
<b>Telecommunications</b>							
Peerless Network, Inc. <sup>(e)</sup>	L+8.50 %	9.18% Cash/ 0.75% PIK <sup>(p)</sup>	12/11/2020	3,500	3,431	3,430	1.4 %
				3,500	3,431	3,430	1.4 %
<b>Utilities: Electric</b>							
CRCI Holdings, Inc.	L+5.50 %	6.50 %	8/31/2023	2,993	2,964	2,999	1.3 %
				2,993	2,964	2,999	1.3 %
<b>Total Non-Controlled/Non-Affiliate Senior Secured Loans</b>				<b>270,509</b>	<b>230,920</b>	<b>232,865</b>	<b>96.7 %</b>
<b>Unitranche Loans</b>							
<b>Automotive</b>							
Fabco Automotive Corporation	L+11.25 %	8.00% Cash/ 4.25% PIK	4/3/2019	8,587	8,553	3,491	1.4 %
				8,587	8,553	3,491	1.4 %
<b>Consumer Goods: Durable</b>							
MooreCo, Inc.	L+14.50 %	13.50% Cash/ 2.50% PIK	12/27/2017	3,620	3,600	3,620	1.5 %
				3,620	3,600	3,620	1.5 %

**Consumer Goods: Non-Durable**

Incipio Technologies, Inc. <sup>(q)</sup>	L+6.00 %	7.00 %	12/26/2019	14,291	14,045	14,219	5.9 %
				14,291	14,045	14,219	5.9 %

**Healthcare & Pharmaceuticals**

Collaborative Neuroscience Network, LLC <sup>(r)</sup>	L+11.50 %	13.00 %	12/27/2017	6,120	6,059	5,814	2.4 %
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Collaborative Neuroscience Network, LLC	n/a	12.00% Cash/ 3.00% PIK	12/27/2017	286	286	286	0.1 %
				6,406	6,345	6,100	2.5 %

**Hotels, Gaming & Leisure**

Playtime, LLC	L+8.50 %	9.00% Cash/ 1.00% PIK	12/31/2021	5,405	5,381	4,797	2.0 %
				5,405	5,381	4,797	2.0 %

**Services: Business**

Output Services Group, Inc.	L+9.00 %	9.50% Cash/ 1.00% PIK	12/17/2020	6,500	6,432	6,520	2.7 %
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Output Services Group, Inc.	L+9.00 %	9.50% Cash/ 1.00% PIK	12/17/2020	8,296	8,189	8,391	3.5 %
				14,796	14,621	14,911	6.2 %

**Wholesale**

Gracelock Industries, LLC	L+13.74 %	11.00% Cash/ 4.24% <sup>(s)</sup> PIK	5/7/2019	4,888	4,816	4,500	1.9 %
				4,888	4,816	4,500	1.9 %

**Total Non-Controlled/Non-Affiliate**

<b>Unitranche Loans</b>				<b>57,993</b>	<b>57,361</b>	<b>51,638</b>	<b>21.4 %</b>
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**Junior Secured Loans****Aerospace & Defense**

AIM Aerospace, Inc.	L+9.00 %	10.00 %	8/2/2022	5,000	4,933	5,040	2.1 %
				5,000	4,933	5,040	2.1 %

**Banking, Finance, Insurance & Real Estate**

Confie Seguros Holdings II Co.	L+9.00 %	10.25 %	5/8/2019	8,594	8,215	8,547	3.5 %
				8,594	8,215	8,547	3.5 %

**Beverage, Food & Tobacco**

CSM Bakery Supplies LLC	L+7.75 %	8.75 %	7/3/2021	5,792	5,792	4,335	1.8 %
				5,792	5,792	4,335	1.8%

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Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Chemicals, Plastics &amp; Rubber</b>							
New NSI Holdings, Inc.	L+8.25 %	9.25 %	7/28/2022	4,000	\$3,949	\$4,040	1.7 %
				4,000	3,949	4,040	1.7 %
<b>Consumer Goods: Non-Durable</b>							
Mud Pie, LLC	n/a	10.00% Cash/ 1.50% PIK	11/4/2020	5,221	5,145	5,325	2.2 %
				5,221	5,145	5,325	2.2 %
<b>High Tech Industries</b>							
Hyland Software Inc.	L+7.25 %	8.25 %	7/1/2023	5,000	4,832	5,100	2.1 %
Micro Holdings Corp.	L+7.50 %	8.50 %	7/8/2022	5,590	5,475	5,590	2.3 %
				10,590	10,307	10,690	4.4 %
<b>Media: Broadcasting &amp; Subscription</b>							
Mergermarket USA, Inc.	L+6.50 %	7.50 %	12/19/2021	4,500	4,400	4,371	1.8 %
				4,500	4,400	4,371	1.8 %
<b>Media: Diversified &amp; Production</b>							
SCP TPZ Acquisition, Inc.	L+8.25 %	9.25 %	5/29/2022	5,000	4,938	4,938	2.1 %
				5,000	4,938	4,938	2.1 %
<b>Services: Business</b>							
Sterling Merger Sub Corp.	L+7.75 %	8.75 %	6/19/2023	5,000	4,958	4,892	2.0 %
				5,000	4,958	4,892	2.0 %
<b>Services: Consumer</b>							
Education Corporation of America	L+11.00 %	12.00 %	12/31/2018	4,167	4,099	4,167	1.7 %
Pre-Paid Legal Services, Inc. (Legal Shield)	L+9.00 %	10.25 %	7/1/2020	3,000	3,000	3,021	1.3 %
				7,167	7,099	7,188	3.0 %
<b>Total Non-Controlled/Non-Affiliate Junior Secured Loans Equity Securities<sup>(t)</sup> Aerospace &amp; Defense</b>							
				<b>60,864</b>	<b>59,736</b>	<b>59,366</b>	<b>24.6 %</b>
			(u)			697	0.3 %

Cyalume Technologies Holdings, Inc. Series D Preferred Stock (3.06 shares)			697	0.3	%
<b>Automotive</b>					
Fabco Automotive Corporation (warrant to purchase up to 1.87% of the equity)	(u)			0.0	%
				0.0	%
<b>Healthcare &amp; Pharmaceuticals</b>					
Collaborative Neuroscience Network, LLC (warrant to purchase up to 4 LLC units)	(u)	12/27/2022		0.0	%
				0.0	%
<b>Hotels, Gaming &amp; Leisure</b>					
BookIt Operating LLC (warrant to purchase up to 3.0% of the equity)	(u)	12/21/2023	201	0.1	%
Playtime, LLC Preferred Units (8,665 units)	(u)		200	0.0	%
			200	201	0.1 %
<b>Media: Advertising, Printing &amp; Publishing</b>					
InMobi Pte, Ltd. (represents the right to purchase 0.42% of the equity) <sup>(g)</sup>	(u)	9/18/2025	49	0.0	%
AdTheorent, Inc. (128,866 shares of common stock)	(u)		129	129	0.1 %
			129	178	0.1 %
<b>Metals &amp; Mining</b>					
O Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company)	(u)	5/13/2024		0.0	%
				0.0%	

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2016****(in thousands, except for shares and units) (continued)**

Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Retail</b>							
The Tie Bar Operating Company, LLC Class A Preferred Units (1,275 units)					\$86	\$117	0.0 %
The Tie Bar Operating Company, LLC Class B Preferred Units (1,275 units)					1		0.0 %
					87	117	0.0 %
<b>Services: Business</b>							
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock)			<sup>(u)</sup> 12/17/2022			797	0.3 %
						797	0.3 %
<b>Services: Consumer</b>							
Education Corporation of America Series G Preferred Stock (8,333 shares)	n/a	12.00 %			8,125	8,121	3.4 %
					8,125	8,121	3.4 %
<b>Total Non-Controlled/Non-Affiliate Equity Securities</b>					<b>8,541</b>	<b>10,111</b>	<b>4.2 %</b>
<b>Total Non-Controlled/Non-Affiliate Company Investments</b>					<b>356,558</b>	<b>353,980</b>	<b>146.9 %</b>
<b>Non-Controlled Affiliate Company Investments<sup>(v)</sup></b>							
<b>Senior Secured Loans</b>							
<b>Banking, Finance, Insurance &amp; Real Estate</b>							
American Community Homes, Inc.	L+8.00 %	9.50 %	7/22/2019	7,667	7,550	7,816	3.3 %
American Community Homes, Inc.	L+12.50 %	Cash/ 4.50% PIK	7/22/2019	4,217	4,158	4,301	1.8 %



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American Community Homes, Inc.	L+12.50%	9.50% Cash/ 4.50% PIK	n/a	(w)	518	508	518	0.2	%
					12,402	12,216	12,635	5.3	%
<b>Consumer Goods: Non-Durable</b>									
Rocket Dog Brands, LLC	n/a	12.00% PIK	8/29/2019		1,124	1,125	464	0.2	%
Rocket Dog Brands, LLC	n/a	15.00% PIK	8/29/2019		407	402	365	0.2	%
Rocket Dog Brands, LLC	n/a	17.00% PIK	3/31/2017		225	225	225	0.1	%
					1,756	1,752	1,054	0.5	%
<b>Containers, Packaging &amp; Glass</b>									
Summit Container Corporation <sup>(e)</sup>	L+12.00%	12.00% Cash/ 2.00% PIK	1/6/2019		3,624	3,582	3,550	1.5	%
					3,624	3,582	3,550	1.5	%
<b>Healthcare &amp; Pharmaceuticals</b>									
Rockdale Blackhawk, LLC	L+11.00%	12.00 %	3/31/2020		10,923	10,155	10,933	4.5	%
Rockdale Blackhawk, LLC (Revolver) <sup>(f)</sup>	L+11.00%	12.00 %	3/31/2020		1,849	924	924	0.4	%
Rockdale Blackhawk, LLC (Capex)	L+11.00%	12.00 %	3/31/2020		565	565	565	0.2	%
SHI Holdings, Inc. <sup>(e)</sup>	L+9.25 %	10.01 %	7/10/2019		2,625	2,592	2,625	1.1	%
SHI Holdings, Inc. (Revolver) <sup>(f)</sup>	L+9.25 %	10.01 %	7/10/2019		1,773	1,188	1,203	0.5	%
					17,735	15,424	16,250	6.7	%
<b>Total Non-Controlled Affiliate Senior Secured Loans</b>					<b>35,517</b>	<b>32,974</b>	<b>33,489</b>	<b>14.0</b>	<b>%</b>
<b>Junior Secured Loans</b>									
<b>Consumer Goods: Non-Durable</b>									
Rocket Dog Brands, LLC	n/a	15.00% PIK	5/1/2020		1,938	1,938		0.0	%
					1,938	1,938		0.0	%
<b>Total Non-Controlled Affiliate Junior Secured Loans</b>					<b>1,938</b>	<b>1,938</b>		<b>0.0</b>	<b>%</b>
<b>Equity Securities</b>									
<b>Banking, Finance, Insurance &amp; Real Estate</b>									
American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity)				(u)	10/9/2024		1,315	0.6	%
							1,315	0.6%	

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Portfolio Company <sup>(a)</sup>	Spread Above Index <sup>(b)</sup>	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>
<b>Consumer Goods: Non-Durable</b>							
Rocket Dog Brands, LLC Common Units (75,502 units)		(u)			\$	\$	0.0 %
Rocket Dog Brands, LLC Preferred Units (10 units)		15.00% PIK <sup>(x)</sup>			967		0.0 %
					967		0.0 %
<b>Containers, Packaging &amp; Glass</b>							
Summit Container Corporation (warrant to purchase up to 19.50% of the equity)		(u)	1/6/2024			113	0.0 %
						113	0.0 %
<b>Healthcare &amp; Pharmaceuticals</b>							
Rockdale Blackhawk, LLC LLC Units (11.56% of the LLC interest)					1,093	14,655	6.1 %
SHI Holdings, Inc. (24 shares of common stock)		(u)			27	469	0.2 %
					1,120	15,124	6.3 %
<b>Total Non-Controlled Affiliate Equity Securities</b>					<b>2,087</b>	<b>16,552</b>	<b>6.9 %</b>
<b>Total Non-Controlled Affiliate Company Investments</b>					<b>36,999</b>	<b>50,041</b>	<b>20.9 %</b>
<b>Controlled Affiliate Company Investments<sup>(y)</sup></b>							
<b>Senior Secured Loans</b>							
<b>Retail</b>							
TPP Operating, Inc.	L+6.00 %	7.50 % <sup>(k)</sup>	11/8/2018	9,370	9,330	1,799	0.7 %
TPP Operating, Inc.	L+6.00 %	7.50 % <sup>(k)</sup>	11/8/2018	4,344	4,344	4,344	1.8 %
TPP Operating, Inc.	L+9.61 %	11.11 % <sup>(k)</sup>	11/8/2018	2,756	2,756	2,756	1.1 %
				16,470	16,430	8,899	3.6 %
<b>Total Controlled Affiliate Senior Secured Loans</b>				<b>16,470</b>	<b>16,430</b>	<b>8,899</b>	<b>3.6 %</b>
<b>Equity Securities</b>							

<b>Retail</b>				
TPP Acquisition, Inc. (829 shares of common stock)	(u)		0.0	%
TPP Operating, Inc. (40 shares of common stock)	(u)	3,255	0.0	%
<b>Total Controlled Affiliate Equity Securities</b>		<b>3,255</b>	<b>0.0</b>	<b>%</b>
<b>Total Controlled Affiliate Company Investments</b>		<b>19,685</b>	<b>8,899</b>	<b>3.6 %</b>
<b>TOTAL INVESTMENTS</b>		<b>\$413,242</b>	<b>\$412,920</b>	<b>171.4 %</b>

All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act (a) of 1940 (the 1940 Act ), unless otherwise noted. All of our investments are issued by U.S. portfolio companies except for InMobi Pte, Ltd. which is an international company headquartered in California.

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ( LIBOR or L ) or Prime Rate ( Prime or P ) which reset daily, monthly, quarterly, or semiannually. (b) each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 31, 2016. Certain investments are subject to a LIBOR or Prime interest rate floor.

Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith using significant unobservable inputs by our board of directors as required by the (c) Investment Company Act of 1940. (See Note 4 in the accompanying notes to the consolidated financial statements.)

(d) Percentages are based on net assets of \$240,850 as of December 31, 2016.

(e) All of this loan is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

See Notes to Consolidated Financial Statements.

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**MONROE CAPITAL CORPORATION**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**December 31, 2016**

**(in thousands, except for shares and  
units) (continued)**

- (f) All or a portion of this commitment was unfunded at December 31, 2016. As such, interest is earned only on the funded portion of this commitment.  
This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of December 31, 2016, non-qualifying assets totaled 2.20% of the Company's total assets.
- (g) A portion of this loan (principal of \$2,271) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (h) This delayed draw loan requires that certain financial covenants be met by the portfolio company prior to any fundings.
- (i) The PIK portion of the interest rate for Landpoint, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.25% per annum.  
This position was on non-accrual status as of December 31, 2016, meaning that the Company has ceased recognizing interest income on the position. See Note 2 in the accompanying notes to the consolidated financial statements for additional information on the Company's accounting policies.
- (j) A portion of the PIK interest rate for TRG, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 4.30% per annum.
- (k) A portion of this loan (principal of \$4,660) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (l) A portion of the PIK interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.92% per annum.
- (m) A portion of this loan (principal of \$3,435) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (n) The PIK portion of the interest rate for Peerless Network, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.75% per annum.
- (o) A portion of this loan (principal of \$5,240) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.
- (p) The sale of a portion of this loan does not qualify for sale accounting under ASC Topic 860—Transfers and Servicing, and therefore, the entire unitranche loan asset remains in the Consolidated Schedule of Investments.
- (q) The PIK portion of the interest rate for Gracelock Industries, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 4.24% per annum.
- (r) (t) Represents less than 5% ownership of the portfolio company's voting securities.
- (s) (u) Represents a non-income producing security.
- (v) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of the portfolio company as it owns five percent or more of the portfolio company's voting securities. See Note 5 in the accompanying notes to the consolidated financial statements for additional information on transactions in which the issuer was an Affiliated

Person (but not a portfolio company that the Company is deemed to control).

(w) This is a demand note with no stated maturity.

(x) This position includes a PIK dividend and is currently on non-accrual status.

(y) As defined in the 1940 Act, the Company is deemed to be both an Affiliated Person of and to Control this portfolio company as it owns more than 25% in company's voting securities. See Note 5 in the accompanying notes to the consolidated financial statements for additional information on transactions in which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control.

n/a not applicable

See Notes to Consolidated Financial Statements.

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# MONROE CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (in thousands, except share and per share data)

### Note 1. Organization and Principal Business

Monroe Capital Corporation ( Monroe Capital and together with its subsidiaries, the Company ) was formed in February 2011 to act as an externally managed non-diversified, closed-end management investment company and has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act ). The Company had no substantive operating activities prior to October 24, 2012, the date of its initial public offering. Monroe Capital s investment objective is to maximize the total return to its stockholders in the form of current income and capital appreciation through investment in senior secured, junior secured and unitranche (a combination of senior secured and junior secured debt in the same facility in which the Company syndicates a first out portion of the loan to an investor and retains a last out portion of the loan) debt and, to a lesser extent, unsecured subordinated debt and equity investments. Monroe Capital is managed by Monroe Capital BDC Advisors, LLC ( MC Advisors ), a registered investment adviser under the Investment Advisers Act of 1940, as amended. In addition, for U.S. federal income tax purposes, Monroe Capital has elected to be treated as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code ).

On February 28, 2014, the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP ( MRCC SBIC ), a Delaware limited partnership, received a license from the Small Business Administration ( SBA ) to operate as a Small Business Investment Company ( SBIC ) under Section 301(c) of the Small Business Investment Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of September 30, 2017, MRCC SBIC had \$57,624 in leverageable capital and \$92,100 in SBA-guaranteed debentures outstanding. See Note 7 for additional information.

On June 9, 2017, the Company closed a public offering of 3,000,000 shares of its common stock at a public offering price of \$15.00 per share, raising approximately \$45,000 in gross proceeds. On June 14, 2017, pursuant to the underwriters exercise of the over-allotment option, the Company sold an additional 450,000 shares of its common stock, at a public offering price of \$15.00 per share, and additional \$6,750 in gross proceeds for a total of \$51,750. Aggregate underwriters discounts and commissions were \$2,070 and offering costs were \$127, resulting in net proceeds of approximately \$49,553.

### Note 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ( GAAP ). The accompanying consolidated financial statements of the Company and related financial information have been prepared pursuant to the

requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. The Company has determined it meets the definition of an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 946 *Financial Services - Investment Companies* ( ASC Topic 946 ). Certain prior period amounts have been reclassified to conform to the current period presentation.

## Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Consolidation

As permitted under Regulation S-X and ASC Topic 946, the Company will generally not consolidate its investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company

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# MONROE CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (in thousands, except share and per share data)

### Note 2. Summary of Significant Accounting Policies (continued)

consolidated the results of the Company's wholly-owned subsidiaries, MRCC SBIC and its wholly-owned general partner MCC SBIC GP, LLC, MC Forest Park Lender, LLC, and MC Reserve Lender, LLC, in its consolidated financial statements. All intercompany balances and transactions have been eliminated.

### Fair Value of Financial Instruments

The Company applies fair value to substantially all of its financial instruments in accordance with ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC Topic 820). ASC Topic 820 defines fair value, establishes a framework used to measure fair value, and requires disclosures for fair value measurements, including the categorization of financial instruments into a three-level hierarchy based on the transparency of valuation inputs. See Note 4 to the consolidated financial statements for further discussion regarding the fair value measurements and hierarchy.

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments.

### Revenue Recognition

The Company's revenue recognition policies are as follows:

*Investments and related investment income:* Interest and dividend income are recorded on the accrual basis to the extent that the Company expects to collect such amounts. Interest income is accrued based upon the outstanding principal amount and contractual terms of debt and preferred equity investments. Interest is accrued on a daily basis. All other income is recorded into income when earned. The Company records prepayment fees and amendment fees on loans as fee income in the period earned.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies. Each distribution received from limited liability company (LLC) and limited partnership (LP) investments is evaluated to determine if the distribution should be recorded as dividend income or a return of capital. Generally, the Company will not record distributions



from equity investments in LLCs and LPs as dividend income unless there are sufficient accumulated tax-basis earnings and profits in the LLC or LP prior to the distribution. Distributions that are classified as a return of capital are recorded as a reduction in the cost basis of the investment.

Loan origination fees, original issue discount and market discount or premiums are capitalized, and the Company then amortizes such amounts using the effective interest method as interest income over the life of the investment. Unamortized discounts and loan origination fees totaled \$5,571 and \$6,192 as of September 30, 2017 and December 31, 2016, respectively. Upfront loan origination and closing fees received for the three and nine months ended September 30, 2017 totaled \$755 and \$2,732, respectively. For the three and nine months ended September 30, 2016, upfront loan origination and closing fees received totaled \$694 and \$2,190, respectively. For the three and nine months ended September 30, 2017, interest income included \$532 and \$1,278 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. For the three and nine months ended September 30, 2016, interest income included \$383 and \$1,137 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. Upon the prepayment of a loan or debt security, any unamortized premium or discount or loan origination fees are recorded as interest income. For the three and nine months ended September 30, 2017, interest income included \$514 and \$1,488 of unamortized discount or loan origination fees recorded as interest income upon prepayment of a loan or debt security, respectively. For the three and

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**MONROE CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)**

**Note 2. Summary of Significant Accounting Policies  
(continued)**

nine months ended September 30, 2016, interest income included \$227 and \$836 of unamortized discount or loan origination fees recorded as interest income upon prepayment of a loan or debt security, respectively.

The Company has certain investments in its portfolio that contain a payment-in-kind ( PIK ) interest provision, which represents contractual interest or dividends that are added to the principal balance and recorded as income. For the three and nine months ended September 30, 2017, interest income included \$345 and \$1,363 of PIK interest, respectively. For the three and nine months ended September 30, 2016, interest income included \$600 and \$1,430 of PIK interest, respectively. The Company stops accruing PIK interest when it is determined that PIK interest is no longer collectible. To maintain RIC tax treatment, and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on portfolio investments are calculated based upon the difference between the net proceeds from the disposition and the amortized cost basis of the investment, without regard to unrealized gains and losses previously recognized. Realized gains and losses are recorded within net realized gain (loss) on investments in the consolidated statements of operations. Changes in the fair value of investments from the prior period, as determined by the Company's board of directors (the Board ) through the application of the Company's valuation policy, are included within net change in unrealized gain (loss) on investments in the consolidated statements of operations.

*Non-accrual:* Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. The Company generally reverses accrued interest when a loan is placed on non-accrual status. Additionally, any original issue discount and market discount are no longer accreted to interest income as of the date the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal, interest, or dividends are paid, and, in management's judgment are likely to remain current. The fair value of the Company's investments on non-accrual status totaled \$9,124 and \$10,394 at September 30, 2017 and December 31, 2016, respectively.

*Partial loan sales:* The Company follows the guidance in ASC Topic 860 *Transfers and Servicing* ( ASC Topic 860 ), when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on the Company's consolidated statements of assets and liabilities and the proceeds are recorded as a secured

borrowing until the definition is met. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest and other debt financing expenses in the accompanying consolidated statements of operations. Changes in the fair value of secured borrowings from the prior period, as determined by the Board through the application of the Company's valuation policy, are included as changes in unrealized gain (loss) on secured borrowings in the consolidated statements of operations. See Note 7 *Secured Borrowings* for additional information.

## Distributions

Distributions to common stockholders are recorded on the record date. The amount, if any, to be distributed is determined by the Board each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed at least annually, although the Company may decide to retain such capital gains for investment.

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# MONROE CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (in thousands, except share and per share data)

### Note 2. Summary of Significant Accounting Policies (continued)

The determination of the tax attributes for the Company's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Ordinary dividend distributions from a RIC do not qualify for the preferential tax rate on qualified dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for distributions will generally include both ordinary income and capital gains, but may also include qualified dividends or return of capital.

The Company has adopted a dividend reinvestment plan ( DRIP ) that provides for the reinvestment of dividends on behalf of its stockholders, unless a stockholder has elected to receive dividends in cash. As a result, if the Company declares a cash dividend, the Company's stockholders who have not opted out of the DRIP at least three days prior to the dividend payment date will have their cash dividend automatically reinvested into additional shares of the Company's common stock. The Company has the option to satisfy the share requirements of the DRIP through the issuance of new shares of common stock or through open market purchases of common stock by the DRIP plan administrator. Newly issued shares are valued based upon the final closing price of the Company's common stock on a date determined by the Board. Shares purchased in the open market to satisfy the DRIP requirements will be valued based upon the average price of the applicable shares purchased by the DRIP plan administrator, before any associated brokerage or other costs. See Note 8 regarding distributions for additional information.

### Earnings per Share

In accordance with the provisions of ASC Topic 260 *Earnings per Share* ( ASC Topic 260 ), basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. The weighted average shares outstanding utilized in the calculation of earnings per share take into account share issues on the issuance date and the Company's repurchases of its common stock on the repurchase date. See Note 9 for additional information on the Company's share activity. For the periods presented in these consolidated financial statements, there were no potentially dilutive common shares issued.

### Segments

In accordance with ASC Topic 280 *Segment Reporting*, the Company has determined that it has a single reporting segment and operating unit structure.

## **Cash**

The Company deposits its cash in a financial institution and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

## **Restricted Cash**

Restricted cash includes amounts held within MRCC SBIC. Cash held within an SBIC is generally restricted to the originations of new loans from the SBIC and the payment of SBA debentures and related interest expense.

## **Unamortized Deferred Financing Costs**

Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of September 30, 2017 and December 31, 2016, the Company had unamortized deferred financing costs of \$4,524 and \$3,945, respectively, presented as a direct reduction of the carrying amount of debt on the consolidated statements of assets and liabilities. These amounts are amortized and included in interest expense in the consolidated statements of operations over the estimated average life of the

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**MONROE CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)**

**Note 2. Summary of Significant Accounting Policies  
(continued)**

borrowings. Amortization of deferred financing costs for the three and nine months ended September 30, 2017 was \$274 and \$760, respectively. Amortization of deferred financing costs for the three and nine months ended September 30, 2016 was \$222 and \$603, respectively.

**Offering Costs**

Offering costs include, among other things, fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity offerings. Offering costs are charged against the proceeds from equity offerings within the consolidated statements of changes in net assets. As of September 30, 2017 and December 31, 2016, other assets on the consolidated statements of assets and liabilities included \$308 and \$281, respectively, of deferred offering costs which will be charged against the proceeds from future equity offerings when received.

**Investments Denominated in Foreign Currency**

As of September 30, 2017, the Company held an investment in one portfolio company that was denominated in Great Britain pounds.

At each balance sheet date, portfolio company investments denominated in foreign currencies are translated into U.S. dollars using the spot exchange rate on the last business day of the period. Purchases and sales of foreign portfolio company investments, and any income from such investments, are translated into U.S. dollars using the rates of exchange prevailing on the respective dates of such transactions.

Although the fair values of foreign portfolio company investments and the fluctuation in such fair values are translated into U.S. dollars using the applicable foreign exchange rates described above, the Company does not isolate that portion of the change in fair values resulting from foreign currency exchange rates fluctuations from the change in fair values of the underlying investment. All fluctuations in fair value are included in net change in unrealized gain (loss) of investments in the Company's consolidated statements of operations.

Investments denominated in foreign currencies and foreign currency transactions may involve certain consideration and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. dollar.

## Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to stockholders, for each taxable year, at least 90% of the Company's investment company taxable income, which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. If the Company qualifies as a RIC and satisfies the annual distribution requirement, the Company will not have to pay corporate-level federal income taxes on any income that the Company distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no federal income taxes. To the extent that the Company determines that its estimated current year annual taxable income may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, calculated as 4% of the estimated excess taxable income as taxable income is earned. For the three and nine months ended September 30, 2017, \$100 and \$100, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes. For the three and nine months ended September 30, 2016, \$342 and \$429, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes.

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**MONROE CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)**

**Note 2. Summary of Significant Accounting Policies  
(continued)**

The Company accounts for income taxes in conformity with ASC Topic 740 *Income Taxes* ( ASC Topic 740 ). ASC Topic 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. There were no material uncertain income tax positions through September 30, 2017. The 2013 through 2016 tax years remain subject to examination by U.S. federal and state tax authorities.

**Subsequent Events**

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued and such disclosure is included in Note 12. Other than what was disclosed in Note 12, there have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the nine months ended September 30, 2017.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update ( ASU ) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) ( ASU 2014-09 ). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

ASU 2014-09 also specified the accounting for some costs to obtain or fulfill a contract with a customer. In addition, ASU 2014-09 requires that an entity disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with



customers. The initial effective date of ASU 2014-09 was for fiscal periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (ASC Topic 606): Deferral of the Effective Date*, which deferred the effective date to fiscal periods beginning after December 15, 2017.

Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 retains many current requirements for the classification and measurement of financial instruments; however, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. ASU 2016-01 also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted for public business entities. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

In October 2016, the U.S. Securities and Exchange Commission (SEC) adopted new rules and amended rules (together final rules) intended to modernize the reporting and disclosures of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized,

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)****Note 2. Summary of Significant Accounting Policies  
(continued)**

enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. The Company has adopted the final rules, as applicable, and the revised presentation is reflected in the Company's consolidated financial statements for the periods presented.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). ASU 2016-18 requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The new guidance is effective for annual and interim periods, beginning after December 15, 2017, and early adoption is permitted and is to be applied on a retrospective basis. The Company has adopted ASU 2016-18 and the revised presentation is reflected in the Company's consolidated financial statements for the periods presented.

**Note 3. Investments**

The following tables show the composition of the investment portfolio, at amortized cost and fair value (with corresponding percentage of total portfolio investments):

	September 30, 2017			December 31, 2016		
<b>Amortized Cost:</b>						
Senior secured loans	\$ 338,448	76.9	%	\$ 280,324	67.8	%
Unitranche loans	44,776	10.2		57,361	13.9	
Junior secured loans	40,402	9.2		61,674	14.9	
Equity securities	16,296	3.7		13,883	3.4	
Total	\$ 439,922	100.0	%	\$ 413,242	100.0	%

	September 30, 2017			December 31, 2016		
<b>Fair Value:</b>						
Senior secured loans	\$ 327,984	76.1	%	\$ 275,253	66.7	%
Unitranche loans	44,592	10.4		51,638	12.5	

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Junior secured loans	38,555	8.9	59,366	14.4
Equity securities	19,966	4.6	26,663	6.4
Total	\$ 431,097	100.0 %	\$ 412,920	100.0 %

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)****Note 3. Investments (continued)**

The following tables show the composition of the investment portfolio by geographic region, at amortized cost and fair value (with corresponding percentage of total portfolio investments). The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business:

	September 30, 2017			December 31, 2016		
<b>Amortized Cost:</b>						
International	\$ 4,809	1.1	%	\$ 6,667	1.6	%
Midwest	61,311	14.0		59,710	14.5	
Northeast	123,686	28.1		105,482	25.5	
South				2,425	0.6	
Southeast	69,641	15.8		60,719	14.7	
Southwest	50,681	11.5		50,562	12.2	
West	129,794	29.5		127,677	30.9	
Total	\$ 439,922	100.0	%	\$ 413,242	100.0	%

	September 30, 2017			December 31, 2016		
<b>Fair Value:</b>						
International	\$ 5,023	1.2	%	\$ 6,636	1.6	%
Midwest	60,373	14.0		60,579	14.7	
Northeast	124,326	28.8		108,188	26.2	
South				2,445	0.6	
Southeast	70,959	16.5		61,128	14.8	
Southwest	44,416	10.3		54,263	13.1	
West	126,000	29.2		119,681	29.0	
Total	\$ 431,097	100.0	%	\$ 412,920	100.0	%

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)  
(in thousands, except share and per share data)****Note 3. Investments (continued)**

The following tables show the composition of the investment portfolio by industry, at amortized cost and fair value (with corresponding percentage of total portfolio investments):

	September 30, 2017			December 31, 2016		
<b>Amortized Cost:</b>						
Aerospace & Defense	\$ 4,940	1.1	%	\$ 9,524	2.3	%
Automotive				12,496	3.0	
Banking, Finance, Insurance & Real Estate	46,126	10.5		34,912	8.4	
Beverage, Food & Tobacco	17,931	4.1		18,068	4.4	
Chemicals, Plastics & Rubber	8,729	2.0		3,949	1.0	
Construction & Building	17,777	4.0		18,282	4.4	
Consumer Goods: Durable	11,762	2.7		3,600	0.9	
Consumer Goods: Non-Durable	24,888	5.7		35,567	8.6	
Containers, Packaging & Glass	5,052	1.2		3,582	0.9	
Energy: Oil & Gas	2,376	0.5		7,819	1.9	
Environmental Industries	3,541	0.8		3,675	0.9	
Healthcare & Pharmaceuticals	57,126	13.0		41,584	10.1	
High Tech Industries	36,606	8.3		19,746	4.8	
Hotels, Gaming & Leisure	41,692	9.5		37,860	9.2	
Media: Advertising, Printing & Publishing	12,771	2.9		11,781	2.8	
Media: Broadcasting & Subscription	16,174	3.7		17,527	4.2	
Media: Diversified & Production	4,945	1.1		4,938	1.2	
Metals & Mining				5,219	1.3	
Retail	56,650	12.9		48,488	11.7	
Services: Business	26,983	6.1		38,806	9.4	
Services: Consumer	20,954	4.8		24,608	5.9	
Telecommunications	3,268	0.7		3,431	0.8	
Utilities: Electric	2,758	0.6		2,964	0.7	
Wholesale	16,873	3.8		4,816	1.2	
Total	\$ 439,922	100.0	%	\$ 413,242	100.0	%

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(in thousands, except share and per share data)****Note 3. Investments (continued)**

	September 30, 2017			December 31, 2016		
<b>Fair Value:</b>						
Aerospace & Defense	\$ 5,028	1.2	%	\$ 10,601	2.6	%
Automotive				7,514	1.8	
Banking, Finance, Insurance & Real Estate	46,912	10.9		37,130	9.0	
Beverage, Food & Tobacco	17,788	4.1		16,794	4.1	
Chemicals, Plastics & Rubber	8,864	2.1		4,040	1.0	
Construction & Building	17,933	4.2		18,602	4.5	
Consumer Goods: Durable	11,952	2.8		3,620	0.9	
Consumer Goods: Non-Durable	19,462	4.5		32,000	7.7	
Containers, Packaging & Glass	4,919	1.1		3,663	0.9	
Energy: Oil & Gas	2,346	0.5		7,803	1.9	
Environmental Industries	3,644	0.8		3,768	0.9	
Healthcare & Pharmaceuticals	66,275	15.4		56,435	13.7	
High Tech Industries	36,085	8.4		18,899	4.6	
Hotels, Gaming & Leisure	42,738	9.9		38,010	9.2	
Media: Advertising, Printing & Publishing	13,356	3.1		11,742	2.8	
Media: Broadcasting & Subscription	16,466	3.8		18,046	4.4	
Media: Diversified & Production	5,006	1.2		4,938	1.2	
Metals & Mining				5,268	1.3	
Retail	40,740	9.5		38,147	9.2	
Services: Business	27,264	6.3		40,164	9.7	
Services: Consumer	21,170	4.9		24,807	6.0	
Telecommunications	3,333	0.8		3,430	0.8	
Utilities: Electric	2,801	0.6		2,999	0.7	
Wholesale	17,015	3.9		4,500	1.1	
Total	\$ 431,097	100.0	%	\$ 412,920	100.0	%

**Note 4. Fair Value Measurements****Investments**

The Company values all investments in accordance with ASC Topic 820. ASC Topic 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC Topic 820, fair

value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the assets or liabilities or market and the assets or liabilities complexity.

ASC Topic 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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**Note 4. Fair Value Measurements (continued)**

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Valuations based on inputs other than quoted prices in active markets, including quoted prices for similar assets or liabilities, which are either directly or indirectly observable.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement. This includes situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. All investments as of September 30, 2017 and December 31, 2016 were categorized as Level 3 investments.

With respect to investments for which market quotations are not readily available, the Company's Board undertakes a multi-step valuation process each quarter, as described below:

the quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals of MC Advisors responsible for the portfolio investment; preliminary valuation conclusions are then documented and discussed with the investment committee of the Company;

the Board also engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of investments for which market quotations are not readily available. The Company will consult with independent valuation firm(s) relative to each portfolio company at least once in every calendar year, but are generally received quarterly;

the audit committee of the Board reviews the preliminary valuations of MC Advisors and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and

the Board discusses these valuations and determines the fair value of each investment in the portfolio in good faith, based on the input of MC Advisors, the independent valuation firm(s) and the audit committee.



The accompanying consolidated schedules of investments held by the Company consist primarily of private debt instruments ( Level 3 debt ). The Company generally uses the yield approach to determine fair value, as long as it is appropriate. If there is deterioration in credit quality or a debt investment is in workout status, the Company may consider other factors in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The Company generally considers its Level 3 debt to be performing loans if the borrower is not in default, the borrower is remitting payments in a timely manner; the loan is in covenant

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# MONROE CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (in thousands, except share and per share data)

### Note 4. Fair Value Measurements (continued)

compliance or is otherwise not deemed to be impaired. In determining the fair value of the performing Level 3 debt, the Company considers fluctuations in current interest rates, the trends in yields of debt instruments with similar credit ratings, financial condition of the borrower, economic conditions and other relevant factors, both qualitative and quantitative. In the event that a Level 3 debt instrument is not performing, as defined above, the Company will evaluate the value of the collateral utilizing the same framework described above for a performing loan to determine the value of the Level 3 debt instrument.

Under the yield approach, the Company uses discounted cash flow models to determine the present value of the future cash flow streams of its debt investments, based on future interest and principal payments as set forth in the associated loan agreements. In determining fair value under the yield approach, the Company also considers the following factors: applicable market yields and leverage levels, credit quality, prepayment penalties, the nature and realizable value of any collateral, the portfolio company's ability to make payments, and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made.

Under the market approach, the Company typically uses the enterprise value methodology to determine the fair value of an investment. There is no one methodology to estimate enterprise value and, in fact, for any one portfolio company, enterprise value is generally best expressed as a range of values, from which the Company derives a single estimate of enterprise value. In estimating the enterprise value of a portfolio company, the Company analyzes various factors consistent with industry practice, including but not limited to original transaction multiples, the portfolio company's historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public. Typically, the enterprise values of private companies are based on multiples of earnings before interest, income taxes, depreciation and amortization ( EBITDA ), cash flows, net income, revenues, or in limited cases, book value.

### Secured Borrowings

The Company has elected the fair value option under ASC Topic 825 *Financial Instruments* ( ASC Topic 825 ) relating to accounting for debt obligations at their fair value for its secured borrowings which arose due to partial loan sales which did not meet the criteria for sale treatment under ASC Topic 860. The Company reports changes in the fair value of its secured borrowings within net change in unrealized gain (loss) on secured borrowings in the consolidated statements of operations. The net gain or loss reflects the difference between the fair value and the principal amount due on maturity.

Due to the absence of a liquid trading market for these secured borrowings, they are valued by calculating the net present value of the future expected cash flow streams using an appropriate risk-adjusted discount rate model. The discount rate considers projected performance of the related loan investment, applicable market yields and leverage levels, credit quality, prepayment penalties and comparable company analysis. The Company consults with an independent valuation firm relative to the fair value of its secured borrowings at least once in every calendar year.

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(in thousands, except share and per share data)****Note 4. Fair Value Measurements (continued)****Fair Value Disclosures**

The following table presents fair value measurements of investments and secured borrowings, by major class, as of September 30, 2017, according to the fair value hierarchy:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Investments:				
Senior secured loans	\$	\$	\$ 327,984	\$ 327,984
Unitranche loans			44,592	44,592
Junior secured loans			38,555	38,555
Equity securities			19,966	19,966
Total Investments	\$	\$	\$ 431,097	\$ 431,097
Secured borrowings	\$	\$	\$	\$

The following table presents fair value measurements of investments and secured borrowings, by major class, as of December 31, 2016, according to the fair value hierarchy:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Investments:				
Senior secured loans	\$	\$	\$ 275,253	\$ 275,253
Unitranche loans			51,638	51,638
Junior secured loans			59,366	59,366
Equity securities			26,663	26,663
Total Investments	\$	\$	\$ 412,920	\$ 412,920
Secured borrowings	\$	\$	\$ 1,314	\$ 1,314

Senior, unitranche and junior secured loans are collateralized by tangible and intangible assets of the borrowers. These investments include loans to entities that have some level of challenge in obtaining financing from other, more conventional institutions, such as a bank. Interest rates on these loans are either fixed or floating, and are based on current market conditions and credit ratings of the borrower. The contractual interest rates on the loans ranged between 6.24% to 15.24% at September 30, 2017 and 5.75% to 17.00% at December 31, 2016. The maturity dates on

the loans outstanding at September 30, 2017 range between December 2017 and August 2025.

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(in thousands, except share and per share data)****Note 4. Fair Value Measurements (continued)**

The following tables provide a reconciliation of the beginning and ending balances for investments and secured borrowings that use Level 3 inputs for the three and nine months ended September 30, 2017:

	Investments			Equity securities	Total investments	Secured borrowings
	Senior secured loans	Unitranche loans	Junior secured loans			
Balance as of June 30, 2017	\$351,491	\$37,302	\$37,709	\$19,047	\$445,549	\$
Reclassifications <sup>(1)</sup>	(15,747 )	15,747				
Net change in unrealized gain (loss) on investments	(3,380 )	4,554	305	919	2,398	
Net realized gain (loss) on investments		(3,399 )	7	492	(2,900 )	
Purchases of investments and other adjustments to cost <sup>(2)</sup>	44,119	225	10,691		55,035	
Proceeds from principal payments and sales on investments <sup>(3)</sup>	(48,499 )	(9,837 )	(10,157)	(492 )	(68,985 )	
Net change in unrealized gain (loss) on secured borrowings						
Repayments on secured borrowings						
Net realized (gain) loss on secured borrowings						
Balance as of September 30, 2017	\$327,984	\$44,592	\$38,555	\$19,966	\$431,097	\$

	Investments			Equity securities	Total investments	Secured borrowings
	Senior secured loans	Unitranche loans	Junior secured loans			
Balance as of December 31, 2016	\$275,253	\$51,638	\$59,366	\$26,663	\$412,920	\$1,314
Reclassifications <sup>(1)</sup>	(18,542 )	15,747	382	2,413		
Net change in unrealized gain (loss) on investments	(5,237 )	5,382	462	(9,110 )	(8,503 )	
Net realized gain (loss) on investments	41	(3,399 )	7	2,779	(572 )	
	155,915	4,889	10,893		171,697	

Purchases of investments and other adjustments to cost <sup>(2)</sup>						
Proceeds from principal payments and sales on investments <sup>(3)</sup>	(79,446)	(29,665)	(32,555)	(2,779)	(144,445)	
Net change in unrealized gain (loss) on secured borrowings						6
Repayments on secured borrowings						(1,254)
Net realized (gain) loss on secured borrowings						(66 )
Balance as of September 30, 2017	\$ 327,984	\$ 44,592	\$ 38,555	\$ 19,966	\$ 431,097	\$

(1) Represents non-cash reclassifications of investment type due to restructuring of the investments in portfolio companies.

(2) Includes purchases of new investments, effects of refinancing and restructurings, premium and discount accretion and amortization and PIK interest.

(3) Represents net proceeds from investments sold and principal paydowns received.

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Proceeds from principal payments and sales on investments <sup>(3)</sup>	(41,701 )	(9,077 )	(11,094 )	(587 )	(62,459 )	
Net change in unrealized gain (loss) on secured borrowings						36
Proceeds from secured borrowings						
Repayments on secured borrowings						(902 )
Balance as of September 30, 2016	\$240,520	\$51,858	\$60,694	\$23,584	\$376,656	\$1,610

(1) Represents non-cash reclassifications of investment type due to restructuring of the investments in portfolio companies.

(2) Includes purchases of new investments, effects of refinancing and restructurings, premium and discount accretion and amortization and PIK interest.

(3) Represents net proceeds from investments sold and principal paydowns received.

The total change in unrealized gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on investments for the three and nine months ended September 30, 2017, attributable to Level 3 investments still held at September 30, 2017, was (\$254) and (\$11,637), respectively. The total change in unrealized gain (loss) included in the consolidated statements of operations within net

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change in unrealized gain (loss) on investments for the three and nine months ended September 30, 2016, attributable to Level 3 investments still held at September 30, 2016, was (\$1,821) and (\$377), respectively. The total change in unrealized gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on secured borrowings for the three and nine months ended September 30, 2016, attributable to Level 3 secured borrowings still held at September 30, 2016, was (\$123) and (\$36), respectively. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of Level 3 as of the beginning of the period which the reclassifications occur. There were no transfers among Levels 1, 2 and 3 during the three and nine months ended September 30, 2017 and 2016.

**Significant Unobservable Inputs**

ASC Topic 820 requires disclosure of quantitative information about the significant unobservable inputs used in the valuation of assets and liabilities classified as Level 3 within the fair value hierarchy. Disclosure of this information is not required in circumstances where a valuation (unadjusted) is obtained from a third-party pricing service and the information regarding the unobservable inputs is not reasonably available to the Company and as such, the disclosures provided below exclude those investments valued in that manner. The tables below are not intended to be all-inclusive, but rather to provide information on significant unobservable inputs and valuation techniques used by the Company.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets and liabilities as of September 30, 2017 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Range		
				Average Mean	Minimum	Maximum
<b>Assets:</b>						
Senior secured loans	\$257,683	Discounted cash flow	EBITDA multiples	6.9x	1.3x	14.0x
			Market yields	11.5 %	6.8 %	22.0 %
Senior secured loans	13,350	Waterfall	Delinquency ratio	0.0 %	0.0 %	0.0 %
Senior secured loans	12,897	Discounted cash flow	Tangible book value multiples	1.4x	1.3x	1.4x

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			Market yields	13.8 %	9.8 %	19.2 %
Senior secured loans	9,124	Enterprise value	Revenue multiples	0.3x	0.3x	0.6x
Senior secured loans	8,405	Enterprise value	EBITDA multiples	7.1x	5.5x	9.0x
Unitranche loans	44,299	Discounted cash flow	EBITDA multiples	7.2x	4.5x	8.5x
			Market yields	13.6 %	6.5 %	20.9 %
Unitranche loans	293	Enterprise value	EBITDA multiples	5.0x	4.5x	5.5x
Junior secured loans	5,653	Discounted cash flow	EBITDA multiples	8.9x	3.8x	10.0x
			Market yields	11.5 %	10.6 %	13.5 %
Equity securities	9,705	Enterprise value	EBITDA multiples	5.2x	4.5x	9.5x
Equity securities	8,192	Discounted cash flow	EBITDA multiples	4.0x	3.8x	4.3x
			Market yields	19.0 %	18.0 %	20.0 %
Equity securities	610	Enterprise value	Tangible book value multiples	1.4x	1.3x	1.4x
Equity securities	215	Enterprise value	Revenue multiples	2.5x	2.4x	2.6x
<b>Total Level 3 Assets</b>	<b>\$370,426<sup>(1)</sup></b>					
<b>Liabilities:</b>						
Secured Borrowings	\$					

Excludes loans of \$57,521 at fair value where valuation (unadjusted) is obtained from a third-party pricing service (1) for which such disclosure is not required. Also excludes loans of \$3,150 at fair value which were fully repaid subsequent to September 30, 2017 where valuation represents the repayment price.

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The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets and liabilities as of December 31, 2016 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Mean	Range Minimum	Maximum
<b>Assets:</b>						
Senior secured loans	\$214,267	Discounted cash flow	EBITDA multiples	7.0x	3.2x	13.3x
			Market yields	11.7 %	7.0 %	22.0 %
Senior secured loans	1,054	Enterprise value	Revenue multiples	0.6x	0.5x	0.6x
Senior secured loans	12,727	Enterprise value	EBITDA multiples	4.1x	3.3x	5.5x
Unitranche loans	47,861	Discounted cash flow	EBITDA multiples	6.1x	4.8x	8.0x
			Market yields	13.4 %	9.5 %	22.1 %
Unitranche loans	3,491	Combination of discounted cash flow and enterprise value	Revenue multiples	0.5x	0.5x	0.6x
			Market yields	29.2 %	29.2 %	29.2 %
Unitranche loans	286	Enterprise value	EBITDA multiples	6.0x	5.5x	6.5x
Junior secured loans	18,572	Discounted cash flow	EBITDA multiples	7.5x	3.5x	9.5x
			Market yields	11.5 %	7.0 %	13.5 %
Junior secured loans		Enterprise value	Revenue multiples	0.6x	0.5x	0.6x
Equity securities	8,121	Discounted cash flow	EBITDA multiples	3.8x	3.5x	4.0x
			Market yields	17.0 %	16.0 %	18.0 %
Equity securities	18,164	Enterprise value		4.6x	3.3x	13.3x

Equity securities	249	Enterprise value	EBITDA multiples			
			Revenue multiples	0.8x	0.1x	3.8x
<b>Total Level 3 Assets</b>	<b>\$324,792<sup>(1)</sup></b>					
<b>Liabilities:</b>						
Secured Borrowings	\$1,314	Discounted cash flow	Market yields	7.7 %	7.1 %	8.2 %

(1) Excludes loans of \$88,128 at fair value where valuation (unadjusted) is obtained from a third-party pricing service for which such disclosure is not required.

The significant unobservable inputs used in the market approach of fair value measurement of the Company's investments are the market multiples of EBITDA or revenue of the comparable guideline public companies. The Company selects a population of public companies for each investment with similar operations and attributes of the portfolio company. Using these guideline public companies' data, a range of multiples of enterprise value to EBITDA is calculated. The Company selects percentages from the range of multiples for purposes of determining the portfolio company's estimated enterprise value based on said multiple and generally the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Increases (decreases) in the multiple will result in an increase (decrease) in enterprise value, resulting in an increase (decrease) in the fair value estimate of the investment.

The significant unobservable inputs used in the yield approach of fair value measurement of the Company's investments is the discount rate used to discount the estimated future cash flows expected to be received from the underlying investment, which include both future principal and interest payments. Increases (decreases) in the discount rate would result in a decrease (increase) in the fair value estimate of the investment. Included in the consideration and selection of discount rates are the following factors: risk of default, rating of the investment and comparable investments, and call provisions.

## Other Financial Assets and Liabilities

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such

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instruments. Fair value of the Company's revolving credit facility is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if applicable. The Company believes that the carrying value of its revolving credit facility approximates fair value. SBA-guaranteed debentures are carried at cost and with their longer maturity dates, fair value is estimated by discounting remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the debentures. As of September 30, 2017 and December 31, 2016, the fair value of the Company's SBA debentures using Level 3 inputs were estimated at \$92,100 and \$51,500, respectively, which is the same as the Company's carrying value of the SBA debentures.

**Note 5. Transactions with Affiliated Companies**

An affiliated company is a company in which the Company has ownership of 5% or more of its voting securities. A controlled affiliate company is a company in which the Company has ownership of more than 25% of its voting securities. Transactions related to the Company's investments with affiliates for the nine months ended September 30, 2017 and 2016 were as follows:

Portfolio Company	Fair value at December 31, 2016	Transfers in (out)	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net realized gains (losses)	Fair value at September 30, 2017
Non-controlled affiliate company investments <sup>(1)</sup> :									
American Community Homes, Inc.	\$ 13,950	\$	\$ 647	\$	\$ 168	\$ 52	\$	\$ (1,310)	\$ 13,507
Luxury Optical Holdings Co. <sup>(2)</sup>		3,970	808		68	4		(364 )	4,486
Rockdale Blackhawk, LLC <sup>(3)</sup>	27,077		4,161	(16 )		147		(6,394 )	24,975
Rocket Dog Brands, LLC	1,054				130	(1 )		(927 )	256
SHI Holdings, Inc.	4,297		833			15		307	5,452
	3,663		1,499	(102 )	55	18		(214 )	4,919

Summit Container Corporation

Total non-controlled affiliate company investments

\$ 50,041	\$ 3,970	\$ 7,948	\$ (118 )	\$ 421	\$ 235	\$	\$ (8,902)	\$ 53,595
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Controlled affiliate company investments<sup>(1)</sup>:

TPP Acquisition, Inc.<sup>(4)</sup>

\$	\$	\$	\$	\$	\$	\$	\$	\$
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TPP Operating, Inc.<sup>(4)</sup>

8,899		4,330	(972 )				(3,389)	8,868
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Total controlled affiliate company investments

\$ 8,899	\$	\$ 4,330	\$ (972 )	\$	\$	\$	\$ (3,389)	\$ 8,868
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(unaudited)****(in thousands, except share and per share data)****Note 5. Transactions with Affiliated Companies (continued)**

Portfolio Company	Fair value at December 31, 2015	Transfers in (out)	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net realized gains (losses)	Fair value at September 30, 2016
Non-controlled affiliate company investments <sup>(1)</sup> :									
American Community Homes, Inc.	\$ 11,692	\$	\$ 488	\$	\$ 153	\$ 44	\$	\$ 1,045	\$ 13,422
Rockdale Blackhawk, LLC	21,903		462	(2,187)		140		3,945	24,263
Rocket Dog Brands, LLC	1,752		384	(12 )	319	7		(1,293 )	1,157
Summit Container Corporation	3,400		137	(141 )	48	20		117	3,581
Total non-controlled affiliate company investments	\$ 38,747	\$	\$ 1,471	\$ (2,340)	\$ 520	\$ 211	\$	\$ 3,814	\$ 42,423
Controlled affiliate company investments <sup>(1)</sup> :									
TPP Acquisition, Inc.	\$ 6,525	\$	\$ 4,769	\$ (1,304)	\$	\$	\$	\$ (3,741)	\$ 6,249
Total controlled affiliate company investments	\$ 6,525	\$	\$ 4,769	\$ (1,304)	\$	\$	\$	\$ (3,741)	\$ 6,249

For the nine months ended September 30,  
2017

2016

Portfolio Company	Interest income	Dividend income	Fee income	Interest income	Dividend income	Fee income
Non-controlled affiliate company investments <sup>(1)</sup> :						
American Community Homes, Inc.	\$ 1,142	\$	\$	\$ 1,073	\$	\$



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Luxury Optical Holdings Co.	142					
Rockdale Blackhawk, LLC	1,518			1,373	3,546	
Rocket Dog Brands, LLC	126			351		
SHI Holdings, Inc.	367					
Summit Container Corporation	482			485		
Total non-controlled affiliate company investments	\$3,777	\$	\$	\$3,282	\$3,546	\$
Controlled affiliate company investments <sup>(1)</sup> :						
TPP Acquisition, Inc.	\$	\$	\$	\$30	\$	\$
TPP Operating, Inc.	594					
Total controlled affiliate company investments	\$594	\$	\$	\$30	\$	\$

(1) Includes both loan and equity security investment transactions for these portfolio companies.

The Company provided a follow-on investment to Luxury Optical Holdings Co. ( LOH ) as a part of a restructuring (2) during the three months ended September 30, 2017. As part of the restructuring, the Company also received 9.6% of the equity of LOH. For the purpose of this schedule, transfers in represents the fair value at June 30, 2017.

The Company provided a follow-on investment to Rockdale Blackhawk, LLC ( Rockdale ) during the three months (3) ended September 30, 2017. In conjunction with the follow-on investment, the Company also received an additional 6.4% of the equity of Rockdale, increasing total equity ownership to 18.0%.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 5. Transactions with Affiliated Companies (continued)**

On September 2, 2016, TPP Acquisition, Inc. filed for bankruptcy as part of a restructuring process. The existing lenders, including the Company, submitted a credit bid to purchase certain assets of TPP Acquisition, Inc., which was approved by the bankruptcy court. The sale closed on November 8, 2016. A new operating company, TPP Operating, Inc., was formed to acquire certain of the assets of TPP Acquisition, Inc. and continue business operations. These new operations are no longer encumbered by significant lease liabilities. The Company owns 40% of the equity interests in both the former operating company, TPP Acquisition, Inc. (which is in wind-down) and the new operating company, TPP Operating, Inc. During the bankruptcy period, the Company and the other existing lenders provided additional financing through a debtor-in-possession financing ( "DIP" ) facility. Upon the purchase of TPP Acquisition, Inc.'s assets, TPP Operating, Inc. entered into a new credit facility with the existing lenders, including the Company. The principal amount of the new facility with TPP Operating, Inc. represented the amount owed to the lenders under the pre-petition facilities plus the amount funded under the DIP facility, less the amount of the credit bid. The cost basis of the Company's equity investment in TPP Operating, Inc. represents the credit bid and equates to the reduction of principal outstanding on the debt facilities when the new facility was issued to TPP Operating, Inc. As of September 30, 2017, the Company valued its positions in TPP Operating, Inc. utilizing an enterprise value waterfall model. The key inputs to the model were an estimated 2017 revenue forecast and revenue multiple developed using comparable public and private company data.

**Note 6. Transactions with Related Parties**

The Company has entered into an Investment Advisory and Management Agreement with MC Advisors, under which MC Advisors, subject to the overall supervision of the Board, provides investment advisory services to the Company.

The Company pays MC Advisors a fee for its services under the Investment Advisory and Management Agreement consisting of two components – a base management fee and an incentive fee. The base management fee is calculated at an annual rate equal to 1.75% of invested assets (calculated as total assets excluding cash) and is payable in arrears.

Base management fees for the three and nine months ended September 30, 2017 were \$1,953 and \$5,661, respectively. Base management fees for the three and nine months ended September 30, 2016 were \$1,594 and \$4,598, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2% (8% annualized) preferred return, or hurdle, and a catch up feature. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of pre-incentive fee net investment income will be payable except to the extent that 20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. Therefore, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (1) 20% of the amount by which pre-incentive fee net investment income for such calendar quarter exceeds the 2%

hurdle, subject to the catch-up provision, and (2) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding calendar quarters minus (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the cumulative net increase in net assets resulting from operations is the sum of pre-incentive fee net investment income, realized gains and losses and unrealized gains and losses for the then current and 11 preceding calendar quarters. The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20% of realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses on a cumulative basis and unrealized depreciation, less the aggregate amount of any previously paid capital gain incentive fees.

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**MONROE CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Note 6. Transactions with Related Parties (continued)**

Incentive fees, excluding the impact of the incentive fee waiver, for the three and nine months ended September 30, 2017 were \$1,721 and \$4,471, respectively. Incentive fees for the three months ended September 30, 2017 consisted solely of part one incentive fees (based on net investment income) of \$1,721. Incentive fees for the nine months ended

September 30, 2017, consisted of part one incentive fees of \$4,646 and part two incentive fees (based upon net realized and unrealized gains and losses, or capital gains) of (\$175). Part two incentive fees reduced total incentive fees for the nine months ended September 30, 2017, primarily as a result of net unrealized losses during the period.

Incentive fees for the three and nine months ended September 30, 2016 were \$1,223 and \$4,282, respectively. Incentive fees for the three months ended September 30, 2016, consisted of part one incentive fees of \$1,361 and part two incentive fees of (\$138). Part two incentive fees reduced the total incentive fees for the three months ended September 30, 2016, primarily as a result of net unrealized losses during the period. Incentive fees for the nine months ended September 30, 2016, consisted solely of part one incentive fees of \$4,282. For the three and nine months ended September 30, 2017, MC Advisors waived part one incentive fees of zero and \$250, respectively. For the three and nine months ended September 30, 2016 no incentive fees were waived. The Company accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gain (loss) plus net unrealized gain (loss) during a period, the Company will reverse any excess capital gains incentive fee previously accrued such that the amount of capital gains incentive fee accrued is no more than 20% of the sum of net realized gain (loss) plus net unrealized gain (loss).

The Company has entered into an Administration Agreement with Monroe Capital Management Advisors, LLC ( MC Management ), under which the Company reimburses MC Management (subject to the review and approval of the Board) for its allocable portion of overhead and other expenses, including the costs of furnishing the Company with office facilities and equipment and providing clerical, bookkeeping, record-keeping and other administrative services at such facilities, and the Company's allocable portion of the cost of the chief financial officer and chief compliance officer and their respective staffs. To the extent that MC Management outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis, without incremental profit to MC Management. For the three and nine months ended September 30, 2017, the Company incurred \$864 and \$2,540, respectively, in administrative expenses (included within Professional fees, Administrative service fees and General and administrative expenses on the consolidated statements of operations) under the Administration Agreement, of which \$295 and \$926, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. For the three and nine months ended September 30, 2016, the Company incurred \$826 and \$2,249, respectively, in administrative expenses (included within Professional fees, Administrative service fees and General and administrative expenses on the consolidated statements of operations) under the Administration Agreement, of which \$324 and \$956, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. As of September 30, 2017 and December 31, 2016, \$295 and \$330, respectively, of expenses were due to MC Management under this agreement and are included in accounts payable and accrued expenses on the

consolidated statements of assets and liabilities.

The Company has entered into a license agreement with Monroe Capital LLC under which Monroe Capital LLC has agreed to grant the Company a non-exclusive, royalty-free license to use the name Monroe Capital for specified purposes in its business. Under this agreement, the Company will have a right to use the Monroe Capital name at no cost, subject to certain conditions, for so long as the Advisor or one of its affiliates remains its investment advisor.

Other than with respect to this limited license, the Company has no legal right to the Monroe Capital name.

As of September 30, 2017 and December 31, 2016, the Company had accounts payable to members of the Board of \$37 and zero, respectively, representing accrued and unpaid fees for their services.

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# MONROE CAPITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (in thousands, except share and per share data)

### Note 7. Borrowings

*Revolving Credit Facility:* As of September 30, 2017, the Company had U.S. dollar borrowings of \$58,200 and non-U.S. dollar borrowings denominated in Great Britain pounds of £1,800 (\$2,412 in U.S. dollars) under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company's assets. The borrowings denominated in Great Britain pounds are translated into U.S. dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign currency borrowings is included in change in unrealized gain (loss) on foreign currency borrowings in the Company's consolidated statements of operations. The borrowings denominated in Great Britain pounds may be positively or negatively affected by movements in the rate of exchange between the U.S. dollar and the Great Britain pound. These movements are beyond the control of the Company and cannot be predicted. As of December 31, 2016, the Company had U.S. dollar borrowings of \$129,000 outstanding under the revolving credit facility. As of September 30, 2017, the maximum amount the Company was able to borrow was \$200,000 and this borrowing can be increased to \$300,000 pursuant to an accordion feature (subject to maintaining 200% asset coverage, as defined by the 1940 Act). On February 22, 2017, the Company closed a \$40,000 upside to the revolving credit facility, bringing the maximum amount the Company is able to borrow from \$160,000 to the now current maximum amount of \$200,000, in accordance with the facility's accordion feature. The maturity date on the facility is December 14, 2020.

The revolving credit facility is secured by a lien on all of the Company's assets, including cash on hand, but excluding the assets of the Company's wholly-owned subsidiary, MRCC SBIC. The Company's ability to borrow under the revolving credit facility is subject to availability under a defined borrowing base, which varies based on portfolio characteristics and certain eligibility criteria and concentration limits, as well as required valuation methodologies.

The Company may make draws under the revolving credit facility to make or purchase additional investments through December 2019 and for general working capital purposes until the maturity date of the revolving credit facility.

Borrowings under the revolving credit facility bear interest, at the Company's election, at an annual rate of LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% or at a daily rate equal to 2.00% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%. The LIBOR rate on the revolving credit facility was reduced to LIBOR plus 2.75% from LIBOR plus 3.00% in conjunction with the Company's capital raise on June 9, 2017, as net worth (excluding investments in MRCC SBIC) exceeded \$225,000. In addition to the stated interest rate on borrowings under the revolving credit facility, the Company is required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing. As of September 30, 2017 and December 31, 2016, the outstanding borrowings were accruing at a weighted average interest rate of 4.0% and 3.8%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and nine months ended September 30, 2017 was 4.1% and 4.1%, respectively. The weighted average fee rate on the

unused portion of the revolving credit facility for the three and nine months ended September 30, 2017 was 0.5% and 0.5%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and nine months ended September 30, 2016 was 3.7% and 3.6%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three and nine months ended September 30, 2016 was 0.5% and 0.5%, respectively.

The Company's ability to borrow under the revolving credit facility is subject to availability under the borrowing base, which permits the Company to borrow up to 70% of the fair market value of its portfolio company investments depending on the type of the investment the Company holds and whether the investment is quoted. The Company's ability to borrow is also subject to certain concentration limits, and continued compliance with the representations, warranties and covenants given by the Company under the facility.

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**Note 7. Borrowings (continued)**

The revolving credit facility contains certain financial and restrictive covenants, including, but not limited to, the Company's maintenance of: (1) a minimum consolidated total net assets at least equal to the greater of (a) 40% of the consolidated total assets on the last day of each quarter or (b) \$120,000 plus 65% of the net proceeds to the Company from sales of its securities after December 14, 2015; (2) a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of not less than 2.1 times; and (3) a ratio of earnings before interest and taxes to interest expense of at least 2.5 times. The credit facility also requires the Company to undertake customary indemnification obligations with respect to ING Capital LLC and other members of the lending group and to reimburse the lenders for expenses associated with entering into the credit facility. The revolving credit facility also has customary provisions regarding events of default, including events of default for nonpayment, change in control transactions at both Monroe Capital Corporation and MC Advisors, failure to comply with financial and negative covenants, and failure to maintain our relationship with MC Advisors. If the Company incurs an event of default under the revolving credit facility and fails to remedy such default under any applicable grace period, if any, then the entire revolving credit facility could become immediately due and payable, which would materially and adversely affect the Company's liquidity, financial condition, results of operations and cash flows.

The Company's revolving credit facility also imposes certain conditions that may limit the amount of the Company's distributions to stockholders. Distributions payable in the Company's common stock under the DRIP are not limited by the revolving credit facility. Distributions in cash or property other than common stock are generally limited to 115% of the amount of distributions required to maintain the Company's status as a RIC.

*SBA Debentures: &nbsp;*