

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

Commission file number: 814-00866

MONROE CAPITAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

27-4895840
(I.R.S. Employer
Identification No.)

311 South Wacker Drive, Suite 6400
Chicago, Illinois
(Address of Principal Executive Office)

60606
(Zip Code)

(312) 258-8300
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

As of May 8, 2017, the registrant had 16,722,025 shares of common stock, \$0.001 par value, outstanding.

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Part I. Financial Information
Item 1. Consolidated Financial Statements

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	<u>(unaudited)</u>	
ASSETS		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	\$ 358,883	\$ 353,980
Non-controlled affiliate company investments	49,219	50,041
Controlled affiliate company investments	10,047	8,899
Total investments, at fair value (amortized cost of: \$422,102 and \$413,242, respectively)	418,149	412,920
Cash	5,483	5,958
Restricted cash	10,555	2,373
Interest receivable	3,056	2,643
Other assets	1,454	651
Total assets	<u>438,697</u>	<u>424,545</u>
LIABILITIES		
Debt:		
Revolving credit facility	136,000	129,000
SBA debentures payable	60,000	51,500
Total debt	196,000	180,500
Less: Unamortized deferred financing costs	(4,268)	(3,945)
Total debt, less unamortized deferred financing costs	191,732	176,555
Secured borrowings, at fair value (proceeds of: \$1,320 and \$1,320, respectively)	1,315	1,314
Interest payable	820	735
Management fees payable	1,805	1,749
Incentive fees payable	1,465	1,222
Accounts payable and accrued expenses	1,917	2,120
Directors fees payable	37	-
Total liabilities	<u>199,091</u>	<u>183,695</u>
Net assets	<u>\$ 239,606</u>	<u>\$ 240,850</u>
Commitments and contingencies (See Note 10)		
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value, 100,000 shares authorized, 16,712 and 16,582 shares issued and outstanding, respectively	\$ 17	\$ 17
Capital in excess of par value	235,516	233,526
Undistributed net investment income (accumulated distributions in excess of net investment income)	7,268	7,037
Accumulated net realized gain (loss) on investments	754	587
Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	(3,949)	(317)
Total net assets	<u>\$ 239,606</u>	<u>\$ 240,850</u>
Net asset value per share	<u>\$ 14.34</u>	<u>\$ 14.52</u>

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(in thousands, except per share data)

	Three months ended March 31,	
	2017	2016
Investment income:		
Interest income:		
Non-controlled/non-affiliate company investments	\$ 10,055	\$ 8,273
Non-controlled affiliate company investments	1,196	1,073
Controlled affiliate company investments	177	-
Total interest income	11,428	9,346
Dividend income:		
Non-controlled/non-affiliate company investments	250	250
Non-controlled affiliate company investments	-	1,612
Total dividend income	250	1,862
Fee income:		
Non-controlled/non-affiliate company investments	328	331
Total fee income	328	331
Total investment income	12,006	11,539
Operating expenses:		
Interest and other debt financing expenses	2,010	1,691
Base management fees	1,805	1,500
Incentive fees	1,290	1,740
Professional fees	291	207
Administrative service fees	330	328
General and administrative expenses	209	164
Excise taxes	-	87
Directors fees	37	35
Total expenses	5,972	5,752
Net investment income	6,034	5,787
Net gain (loss) on investments and secured borrowings:		
Net realized gain (loss) on investments:		
Non-controlled/non-affiliate company investments	167	587
Net realized gain (loss) on investments	167	587
Net change in unrealized appreciation (depreciation) on investments:		
Non-controlled/non-affiliate company investments	192	(859)
Non-controlled affiliate company investments	(2,164)	1,828
Controlled affiliate company investments	(1,659)	573
Net change in unrealized appreciation (depreciation) on investments	(3,631)	1,542
Net change in unrealized (appreciation) depreciation on secured borrowings	(1)	28
Net gain (loss) on investments and secured borrowings	(3,465)	2,157
Net increase (decrease) in net assets resulting from operations	\$ 2,569	\$ 7,944
Per common share data:		
Net investment income per share - basic and diluted	\$ 0.36	\$ 0.44
Net increase in net assets resulting from operations per share - basic and diluted	\$ 0.15	\$ 0.61
Weighted average common shares outstanding - basic and diluted	16,594	13,008

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

**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 investments	Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	Total net assets
	Number of shares	Par value					
Balances at December 31, 2015	13,008	\$ 13	\$ 184,419	\$ 1,692	\$ -	\$ (1,589)	\$ 184,535
Net increase (decrease) in net assets resulting from operations	-	-	-	5,787	587	1,570	7,944
Distributions to stockholders:							
Distributions from net investment income	-	-	-	(4,553)	-	-	(4,553)
Distributions from realized gain	-	-	-	-	-	-	-
Balances at March 31, 2016	<u>13,008</u>	<u>\$ 13</u>	<u>\$ 184,419</u>	<u>\$ 2,926</u>	<u>\$ 587</u>	<u>\$ (19)</u>	<u>\$ 187,926</u>
Balances at December 31, 2016	16,582	\$ 17	\$ 233,526	\$ 7,037	\$ 587	\$ (317)	\$ 240,850
Net increase (decrease) in net assets resulting from operations	-	-	-	6,034	167	(3,632)	2,569
Issuance of common stock, net of offering and underwriting costs	114	-	1,736	-	-	-	1,736
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	16	-	254	(254)	-	-	-
Distributions from net investment income	-	-	-	(5,549)	-	-	(5,549)
Balances at March 31, 2017	<u>16,712</u>	<u>\$ 17</u>	<u>\$ 235,516</u>	<u>\$ 7,268</u>	<u>\$ 754</u>	<u>\$ (3,949)</u>	<u>\$ 239,606</u>

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three months ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 2,569	\$ 7,944
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 (appreciation) depreciation on investments	3,631	(1,542)
Net change in unrealized appreciation (depreciation) on secured borrowings	1	(28)
Net realized (gain) loss on investments	(167)	(587)
Payment-in-kind interest income	(613)	(370)
Net accretion of discounts and amortization of premiums	(388)	(365)
Proceeds from principal payments and sales of investments	33,844	26,803
Purchases of investments	(41,536)	(26,316)
Amortization of deferred financing costs	231	182
Changes in operating assets and liabilities:		
Interest receivable	(413)	(270)
Other assets	(803)	68
Payable for open trades	-	(5,297)
Interest payable	85	(336)
Management fees payable	56	(3)
Incentive fees payable	243	489
Accounts payable and accrued expenses	(203)	69
Directors fees payable	37	(39)
Net cash provided by (used in) operating activities	(3,426)	402
Cash flows from financing activities:		
Borrowings on revolving credit facility	39,500	20,000
Repayments of revolving credit facility	(32,500)	(9,000)
SBA debentures borrowings	8,500	-
Payments of deferred financing costs	(554)	-
Repayments on secured borrowings	-	(200)
Proceeds from shares sold, net of offering and underwriting costs	1,736	-
Stockholder distributions paid, net of stock issued under the dividend reinvestment plan of \$254 and \$0, respectively	(5,549)	(4,553)
Net cash provided by (used in) financing activities	11,133	6,247
Net increase (decrease) in Cash and Restricted Cash	7,707	6,649
Cash and Restricted Cash, beginning of period ⁽¹⁾	8,331	13,866
Cash and Restricted Cash, end of period ⁽²⁾	\$ 16,038	\$ 20,515
Supplemental disclosure of cash flow information:		
Cash interest paid during the period	\$ 1,639	\$ 1,772
Cash paid for excise taxes during the period	\$ 495	\$ 167

- (1) Represents cash and restricted cash of \$5,958 and \$2,373, respectively, from the consolidated statement of assets and liabilities as of December 31, 2016. Represents cash and restricted cash of \$5,278 and \$8,588, respectively, from the consolidated statement of assets and liabilities as of December 31, 2015.
- (2) Represents cash and restricted cash of \$5,483 and \$10,555, respectively, from the consolidated statement of assets and liabilities as of March 31, 2017. Represents cash and restricted cash of \$5,770 and \$14,745, respectively, from the consolidated statement of assets and liabilities as of March 31, 2016.

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
(unaudited)
March 31, 2017
(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Senior Secured Loans								
AdTheorent, Inc. (Revolver) ^(e)	Media: Advertising, Printing & Publishing	L+8.50%	9.28%	12/22/2021	515	\$ 232	\$ 232	0.1%
AdTheorent, Inc.	Media: Advertising, Printing & Publishing	L+8.50%	9.28%	12/22/2021	5,000	4,904	5,015	2.1%
All Holding Company, LLC ^(f)	Beverage, Food & Tobacco	L+7.00%	7.98%	11/15/2021	5,431	5,334	5,513	2.3%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance, & Real Estate	L+8.00%	9.50%	7/22/2019	7,667	7,560	7,843	3.3%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance, & Real Estate	L+12.50%	9.50% Cash/4.50% PIK	7/22/2019	4,265	4,212	4,351	1.8%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance, & Real Estate	L+12.50%	9.50% Cash/4.50% PIK	n/a ^(h)	524	515	524	0.2%
Answers Corporation	High Tech Industries	P + 6.25%	10.25% ⁽ⁱ⁾	10/1/2021	2,903	2,822	1,352	0.6%
Answers Corporation (DIP Facility) ^(e)	High Tech Industries	L+7.00%	8.00% ⁽ⁱ⁾	n/a ^(h)	269	105	108	0.0%
BC Equity Ventures LLC	Hotels, Gaming & Leisure	L+6.50%	7.50%	8/31/2022	2,605	2,557	2,635	1.1%
BCC Software, LLC ^(f)	High Tech Industries	L+8.00%	9.00%	6/20/2019	3,248	3,210	3,247	1.3%
BCC Software, LLC (Revolver) ^(e)	High Tech Industries	L+8.00%	9.00%	6/20/2019	469	-	-	0.0%
Beaver-Visitec International Holdings, Inc.	Healthcare & Pharmaceuticals	L+5.00%	6.15%	8/19/2023	4,975	4,929	4,975	2.1%
Bluestem Brands, Inc.	Consumer Goods: Non-Durable	L+7.50%	8.54%	11/6/2020	2,718	2,698	2,242	0.9%
Cali Bamboo, LLC	Construction & Building	L+8.50%	9.48%	7/10/2020	5,409	5,341	5,517	2.3%
Cali Bamboo, LLC (Revolver) ^(e)	Construction & Building	L+8.50%	9.48%	7/10/2020	1,624	996	996	0.4%
California Pizza Kitchen, Inc.	Beverage, Food & Tobacco	L+6.00%	7.00%	8/23/2022	6,965	6,895	6,966	2.9%
Corbett Technology Solutions, Inc. ^(f)	High Tech Industries	L+7.00%	7.98%	11/7/2021	4,444	4,382	4,481	1.9%
Corbett Technology Solutions, Inc. (Revolver) ^(e)	High Tech Industries	L+7.00%	7.98%	11/7/2021	867	-	-	0.0%
Cornestone Detention Products, Inc. ⁽ⁱ⁾	Construction & Building	L+10.50%	10.50% Cash/1.00% PIK	4/8/2019	3,676	3,644	3,568	1.5%
Cornestone Detention Products, Inc. (Revolver) ^(e)	Construction & Building	L+9.50%	10.50%	4/8/2019	400	-	-	0.0%
CRCI Holdings, Inc.	Utilities: Electric	L+5.50%	6.65%	8/31/2023	2,866	2,840	2,872	1.2%
Cyalume Technologies Holdings, Inc. ^(f)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	4,222	4,142	4,348	1.8%
Cyalume Technologies Holdings, Inc. (Delayed Draw)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	376	376	387	0.2%
Cyalume Technologies Holdings, Inc. (Revolver) ^(e)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	1,528	306	306	0.1%
Diesel Direct Holdings, Inc. ^(f)	Energy: Oil & Gas	L+7.00%	7.98%	2/17/2020	5,156	5,156	5,208	2.2%
EB Employee Solutions, LLC ^(f)	Services: Business	L+8.50%	10.00%	2/28/2019	3,268	3,228	3,157	1.3%
Edgechord Funding I, LLC (Delayed Draw) ^{(e) (k) (l)}	Banking, Finance, Insurance, & Real Estate	L+10.25%	11.03%	2/24/2021	15,000	14,286	14,290	6.0%
Edge Systems Holdings Corp.	Healthcare & Pharmaceuticals	L+8.00%	9.00%	12/1/2021	3,717	3,646	3,761	1.6%
Edge Systems Holdings Corp. (Revolver) ^(e)	Healthcare & Pharmaceuticals	L+8.00%	9.00%	12/1/2021	260	-	-	0.0%
Familia Dental Group Holdings, LLC ^(f)	Healthcare & Pharmaceuticals	L+8.00%	8.98%	4/8/2021	5,363	5,293	5,470	2.3%
Familia Dental Group Holdings, LLC (Delayed Draw)	Healthcare & Pharmaceuticals	L+8.00%	8.98%	4/8/2021	516	516	526	0.2%
Familia Dental Group Holdings, LLC (Revolver) ^(e)	Healthcare & Pharmaceuticals	L+8.00%	8.98%	4/8/2021	573	115	115	0.0%
Forman Mills, Inc. ^(f)	Retail	L+7.50%	8.50%	10/4/2021	8,500	8,344	8,377	3.5%
InMobi Pte, Ltd. (Delayed Draw) ^{(e) (k) (l)}	Media: Advertising, Printing & Publishing	L+10.17%	11.17%	9/1/2018	10,000	6,667	6,623	2.8%
Inteva Products, LLC	Automotive	L+8.50%	9.75%	9/8/2021	1,956	1,946	1,965	0.8%
Jerry Lee Radio, LLC	Media: Broadcasting & Subscription	L+9.50%	10.48%	12/17/2020	13,230	12,969	13,495	5.6%
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/2.25% PIK ^(m)	12/20/2019	2,521	2,495	2,434	1.0%
Landpoint, LLC (Revolver) ^(e)	Energy: Oil & Gas	L+10.50%	12.00%	12/20/2019	313	-	-	0.0%
L.A.R.K. Industries, Inc.	Construction & Building	L+8.50%	9.50%	9/3/2019	8,510	8,375	8,565	3.6%
Liftforward SPV II, LLC ^{(e) (l)}	Banking, Finance, Insurance, & Real Estate	L+10.75%	11.73%	11/10/2020	10,000	3,482	3,522	1.5%
Luxury Optical Holdings Co.	Retail	L+11.50%	9.00% Cash/3.50% PIK	9/12/2019	4,038	3,995	3,911	1.6%
Luxury Optical Holdings Co. (Revolver) ^(e)	Retail	L+8.00%	9.00% Cash	9/12/2019	273	-	-	0.0%
Madison Logic, Inc. ^(f)	Services: Business	L+8.00%	8.98%	11/30/2021	10,434	10,235	10,570	4.4%
Madison Logic, Inc. (Delayed Draw) ^{(e) (k)}	Services: Business	L+8.00%	8.98%	11/30/2021	4,818	-	-	0.0%
Madison Logic, Inc. (Revolver) ^(e)	Services: Business	L+8.00%	8.98%	11/30/2021	988	-	-	0.0%
Mid-West Wholesale Hardware Co. ^(f)	Wholesale	L+7.50%	8.48%	2/9/2022	11,970	11,736	11,898	5.0%
Mid-West Wholesale Hardware Co. (Revolver) ^(e)	Wholesale	L+7.50%	8.48%	2/9/2022	4,421	1,137	1,137	0.5%
Miles Partnership LLC	Hotels, Gaming & Leisure	L+12.50%	10.65% Cash/3.00% PIK	3/24/2021	6,119	6,066	6,126	2.6%
Miles Partnership LLC (Delayed Draw) ^{(e) (k)}	Hotels, Gaming & Leisure	L+12.50%	10.65% Cash/3.00% PIK	3/24/2021	1,454	1,106	1,107	0.5%
Miles Partnership LLC (Revolver) ^(e)	Hotels, Gaming & Leisure	L+12.50%	10.65% Cash/3.00% PIK	3/24/2021	320	-	-	0.0%
O'Brien Industrial Holdings, LLC	Metals & Mining	L+7.75%	8.75%	5/13/2019	5,286	5,225	5,363	2.2%
Peerless Network, Inc. ^(f)	Telecommunications	L+9.25%	9.28% Cash/0.75% PIK ⁽ⁿ⁾	12/11/2020	3,500	3,434	3,498	1.5%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+5.50%	6.65%	7/1/2020	4,614	4,542	4,642	1.9%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+11.50%	12.65%	7/1/2020	4,807	4,729	4,795	2.0%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) ^(e)	Services: Consumer	L+8.50%	9.50%	8/11/2017	236	-	-	0.0%
Precision Toxicology, LLC ^(f)	Healthcare & Pharmaceuticals	L+11.50%	10.48% Cash/2.00% PIK	3/24/2020	4,195	4,143	4,195	1.7%
Repay Holdings, LLC	Banking, Finance, Insurance, & Real Estate	L+9.00%	9.98%	9/1/2021	11,850	11,663	11,880	5.0%
Repay Holdings, LLC (Revolver) ^(e)	Banking, Finance, Insurance, & Real Estate	L+9.00%	9.98%	9/1/2021	1,200	-	-	0.0%
Rockdale Blackhawk, LLC ^(g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	10,923	10,202	10,933	4.6%
Rockdale Blackhawk, LLC (Revolver) ^(g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	1,849	1,849	1,849	0.8%

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

(unaudited)

March 31, 2017

(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Rockdale Blackhawk, LLC (Capex) ^(g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	549	\$ 549	\$ 549	0.2%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	12.00% PIK	8/29/2019	1,157	1,157	51	0.0%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	15.00% PIK	8/29/2019	422	418	296	0.1%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	17.00% PIK	9/30/2017	235	235	176	0.1%
SHI Holdings, Inc. ^{(f) (g)}	Healthcare & Pharmaceuticals	L+9.75%	10.73%	7/10/2019	2,625	2,596	2,625	1.1%
SHI Holdings, Inc. (Revolver) ^{(e) (g)}	Healthcare & Pharmaceuticals	L+9.75%	10.73%	7/10/2019	1,773	1,394	1,408	0.6%
SNI Companies ^(o)	Services: Business	L+8.00%	9.00%	12/31/2018	4,837	4,791	4,886	2.0%
SNI Companies (Revolver) ^(e)	Services: Business	L+8.00%	9.00%	12/31/2018	1,250	150	150	0.1%
Shields Land Company of Georgia, LLC ^(l)	Banking, Finance, Insurance, & Real Estate	L+9.50%	10.35%	12/28/2017	2,450	2,431	2,460	1.0%
Solaray, LLC	Consumer Goods: Non-Durable	L+6.50%	7.61%	9/9/2023	3,288	3,258	3,272	1.4%
Solaray, LLC (Delayed Draw) ^{(e) (k)}	Consumer Goods: Non-Durable	L+6.50%	7.61%	9/9/2023	703	161	160	0.1%
Summit Container Corporation ^{(f) (g)}	Containers, Packaging & Glass	L+12.00%	12.00% Cash/2.00% PIK	1/6/2019	3,591	3,556	3,440	1.4%
Synergy Environmental Corporation ^(f)	Environmental Industries	L+8.00%	8.98%	4/29/2021	3,111	3,048	3,148	1.3%
Synergy Environmental Corporation ^(f)	Environmental Industries	L+8.00%	8.98%	4/29/2021	520	510	526	0.2%
Synergy Environmental Corporation (Delayed Draw) ^{(e) (k)}	Environmental Industries	L+8.00%	8.98%	4/29/2018	1,342	-	-	0.0%
Synergy Environmental Corporation (Revolver) ^(e)	Environmental Industries	L+8.00%	8.98%	4/29/2021	671	47	47	0.0%
The Worth Collection, Ltd. ^(f)	Retail	L+8.50%	9.48%	9/29/2021	10,863	10,663	10,846	4.5%
TPP Operating, Inc. ^(p)	Retail	L+6.00%	7.5% PIK ⁽ⁱ⁾	11/8/2018	9,370	9,330	581	0.2%
TPP Operating, Inc. ^(p)	Retail	L+6.00%	7.50% ⁽ⁱ⁾	11/8/2018	4,344	4,344	3,903	1.6%
TPP Operating, Inc. ^(p)	Retail	L+9.61%	11.11% ⁽ⁱ⁾	11/8/2018	5,563	5,563	5,563	2.3%
TRG, LLC	Hotels, Gaming & Leisure	L+14.09%	8.28% Cash/6.59% PIK ^(q)	3/31/2021	11,863	11,827	11,910	5.0%
TRG, LLC (Revolver)	Hotels, Gaming & Leisure	L+9.50%	10.28%	3/31/2021	131	131	131	0.1%
TRG, LLC (CapEx) ^(e)	Hotels, Gaming & Leisure	L+9.50%	8.28% Cash/2.00% PIK	3/31/2021	1,614	948	952	0.4%
Vacation Innovations, LLC ^(r)	Hotels, Gaming & Leisure	L+8.60%	7.98% Cash/1.60% PIK ^(s)	8/20/2020	10,455	10,296	10,769	4.5%
Vacation Innovations, LLC (Revolver) ^(e)	Hotels, Gaming & Leisure	L+7.50%	7.98% Cash/0.50% PIK	8/20/2020	342	-	-	0.0%
Vacation Innovations, LLC (Delayed Draw) ^{(e) (k)}	Hotels, Gaming & Leisure	L+7.50%	7.98% Cash/0.50% PIK	8/20/2020	2,037	-	-	0.0%
Yandy Holding, LLC	Retail	L+9.00%	10.00%	9/30/2019	5,596	5,549	5,484	2.3%
Yandy Holding, LLC (Revolver) ^(e)	Retail	L+9.00%	10.00%	9/30/2019	907	-	-	0.0%
Total Senior Secured Loans					346,753	307,532	300,223	125.3%
Unitranche Loans								
Collaborative Neuroscience Network, LLC ^(l)	Healthcare & Pharmaceuticals	L+11.50%	13.00%	12/27/2017	6,120	6,063	5,854	2.5%
Collaborative Neuroscience Network, LLC	Healthcare & Pharmaceuticals	n/a	12.00% Cash/3.00% PIK	4/30/2017	288	288	288	0.1%
Fabco Automotive Corporation	Automotive	L+11.25%	8.00% Cash/4.25% PIK	4/3/2019	8,681	8,650	3,121	1.3%
Gracelock Industries, LLC	Wholesale	L+13.74%	11.00% Cash/4.24% PIK ^(u)	5/7/2019	4,804	4,740	4,583	1.9%
Incipio Technologies, Inc. ^(v)	Consumer Goods: Non-Durable	L+6.50%	7.50%	12/26/2019	14,103	13,878	13,962	5.8%
MooreCo, Inc.	Consumer Goods: Durable	L+14.50%	13.50% Cash/2.50% PIK	12/27/2017	3,579	3,565	3,579	1.5%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2020	6,174	6,117	6,260	2.6%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2020	7,762	7,673	7,878	3.3%
Playtime, LLC	Hotels, Gaming & Leisure	L+8.50%	9.00% Cash/1.00% PIK	12/31/2021	5,343	5,326	4,940	2.1%
Total Unitranche Loans					56,854	56,300	50,465	21.1%
Junior Secured Loans								
AIM Aerospace, Inc.	Aerospace & Defense	L+9.00%	10.03%	8/2/2022	5,000	4,936	5,050	2.1%
Confie Seguros Holdings II Co.	Banking, Finance, Insurance, & Real Estate	L+9.00%	10.25%	5/8/2019	8,594	8,248	8,565	3.6%
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.76%	7/3/2021	5,792	5,792	5,039	2.1%
Education Corporation of America	Services: Consumer	L+11.00%	12.15%	9/30/2017	625	616	625	0.3%
Mergermarket USA, Inc.	Media: Broadcasting & Subscription	L+6.50%	7.60%	12/19/2021	4,500	4,404	4,466	1.9%
Micro Holdings Corp.	High Tech Industries	L+7.50%	8.50%	7/8/2022	5,590	5,480	5,660	2.4%
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+9.00%	10.25%	7/1/2020	3,000	3,000	3,018	1.2%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/1/2020	2,011	2,011	-	0.0%
SCP TPZ Acquisition, Inc.	Media: Diversified & Production	L+8.25%	9.35%	5/29/2022	5,000	4,940	4,937	2.0%
Sterling Merger Sub Corp.	Services: Business	L+7.75%	8.90%	6/19/2023	5,000	4,960	4,900	2.0%
Total Junior Secured Loans					45,112	44,387	42,260	17.6%

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)
(unaudited)
March 31, 2017
(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Equity Securities								
AdTheorent, Inc. (128,866 units) ^(w)	Media: Advertising, Printing & Publishing	-	-(x)	-	-	\$ 129	\$ 172	0.1%
American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity) ^(g)	Banking, Finance, Insurance, & Real Estate	-	-(x)	10/9/2024	-	-	1,362	0.5%
Collaborative Neuroscience Network, LLC (warrant to purchase up to 4 LLC units) ^(w)	Healthcare & Pharmaceuticals	-	-(x)	12/27/2022	-	-	-	0.0%
Cyalume Technologies Holdings, Inc. - Series D Preferred Stock (3.06 shares) ^(w)	Aerospace & Defense	-	-(x)	-	-	-	693	0.3%
Education Corporation of America - Series G Preferred Stock (8,333 shares) ^(w)	Services: Consumer	n/a	12.00%	-	-	8,125	8,083	3.4%
Fabco Automotive Corporation (warrant to purchase up to 1.87% of the equity) ^(w)	Automotive	-	-(x)	-	-	-	-	0.0%
InMobi Pte, Ltd. (represents the right to purchase 2.80% of the equity) ^{(l)(w)}	Media: Advertising, Printing & Publishing	-	-(x)	9/18/2025	-	-	44	0.0%
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) ^(w)	Metals & Mining	-	-(x)	5/13/2024	-	-	-	0.0%
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) ^(w)	Services: Business	-	-(x)	12/17/2022	-	-	918	0.4%
Playtime, LLC - Preferred Units (8,665 units) ^(w)	Hotels, Gaming & Leisure	-	-(x)	-	-	200	-	0.0%
Rockdale Blackhawk, LLC - LLC Units (11.56% of the LLC interest) ^(g)	Healthcare & Pharmaceuticals	-	-	-	-	1,093	13,354	5.6%
Rocket Dog Brands, LLC - Common Units (75,502 units) ^(g)	Consumer Goods: Non-Durable	-	-(x)	-	-	-	-	0.0%
Rocket Dog Brands, LLC - Preferred Units (10 units) ^(g)	Consumer Goods: Non-Durable	-	15.00% PIK ^(y)	-	-	967	-	0.0%
SHI Holdings, Inc. (24 shares of common stock) ^(g)	Healthcare & Pharmaceuticals	-	-(x)	-	-	27	458	0.2%
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) ^(g)	Containers, Packaging & Glass	-	-(x)	1/6/2024	-	-	-	0.0%
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units) ^(w)	Retail	-	-	-	-	86	117	0.0%
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units) ^(w)	Retail	-	-	-	-	1	-	0.0%
TPP Acquisition, Inc. (829 shares of common stock) ^(p)	Retail	-	-(x)	-	-	-	-	0.0%
TPP Operating, Inc. (40 shares of common stock) ^(p)	Retail	-	-(x)	-	-	3,255	-	0.0%
Total Equity Securities						<u>13,883</u>	<u>25,201</u>	<u>10.5%</u>
TOTAL INVESTMENTS						<u>\$ 422,102</u>	<u>\$ 418,149</u>	<u>174.5%</u>

- (a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940 (the “1940 Act”), unless otherwise noted. All investments are non-controlled/non-affiliate company investments, 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.
- (b) 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. For each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at March 31, 2017. Certain investments are subject to a LIBOR or Prime interest rate floor.
- (c) Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith by our board of directors as required by the 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 \$239,606 as of March 31, 2017.
- (e) All or a portion of this commitment was unfunded at March 31, 2017. As such, interest is earned only on the funded portion of this commitment.
- (f) 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.
- (g) 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).
- (h) This is a demand note with no stated maturity.

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

(unaudited)

March 31, 2017

(in thousands, except for units)

- (i) This position was on non-accrual status as of March 31, 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.
- (j) A portion of this loan (principal of \$2,206) 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.
- (k) This delayed draw loan requires that certain financial covenants be met by the portfolio company prior to any fundings.
- (l) 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 March 31, 2017, non-qualifying assets totaled 6.14% of the Company's total assets.
- (m) 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.
- (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 \$3,102) 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) 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.
- (q) 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 4.59% per annum.
- (r) A portion of this loan (principal of \$4,617) 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.
- (s) The PIK portion of the interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 1.10% per annum.
- (t) 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.
- (u) 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.
- (v) A portion of this loan (principal of \$5,171) 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.
- (w) Represents less than 5% ownership of the portfolio company's voting securities.
- (x) Represents a non-income producing security.
- (y) This position includes a PIK dividend and is currently on non-accrual status.

n/a - not applicable

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Senior Secured Loans								
360 Holdings III Corp.	Consumer Goods: Non-Durable	L+9.00%	10.00%	10/1/2021	5,925	\$ 5,718	\$ 5,718	2.4%
AdTheorent, Inc. (Revolver) ^(e)	Media: Advertising, Printing & Publishing	L+8.50%	9.26%	12/22/2021	515	77	77	0.0%
AdTheorent, Inc.	Media: Advertising, Printing & Publishing	L+8.50%	9.26%	12/22/2021	5,000	4,908	4,900	2.0%
All Holding Company, LLC ^(f)	Beverage, Food & Tobacco	L+7.00%	7.76%	11/15/2021	5,466	5,363	5,493	2.3%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance & Real Estate	L+8.00%	9.50%	7/22/2019	7,667	7,550	7,816	3.3%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/ 4.50% PIK	7/22/2019	4,217	4,158	4,301	1.8%
American Community Homes, Inc. ^(g)	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/ 4.50% PIK	n/a ^(h)	518	508	518	0.2%
Answers Corporation	High Tech Industries	P+6.25%	10.00% ⁽ⁱ⁾	10/1/2021	2,903	2,819	1,495	0.6%
BC Equity Ventures LLC	Hotels, Gaming & Leisure	L+6.50%	7.50%	8/31/2022	2,612	2,562	2,635	1.1%
BC Equity Ventures LLC	Hotels, Gaming & Leisure	L+6.50%	7.50%	8/31/2022	375	372	373	0.2%
BCC Software, LLC ^(f)	High Tech Industries	L+8.00%	9.00%	6/20/2019	2,204	2,186	2,203	0.9%
BCC Software, LLC (Revolver) ^(e)	High Tech Industries	L+8.00%	9.00%	6/20/2019	469	—	—	0.0%
Beaver-Visitec International Holdings, Inc.	Healthcare & Pharmaceuticals	L+5.00%	6.00%	8/19/2023	4,988	4,939	4,988	2.1%
Bluestem Brands, Inc.	Consumer Goods: Non-Durable	L+7.50%	8.50%	11/6/2020	2,758	2,737	2,404	1.0%
Cali Bamboo, LLC	Construction & Building	L+8.50%	9.26%	7/10/2020	5,423	5,350	5,531	2.3%
Cali Bamboo, LLC (Revolver) ^(e)	Construction & Building	L+8.50%	9.26%	7/10/2020	1,624	65	65	0.0%
California Pizza Kitchen, Inc.	Beverage, Food & Tobacco	L+6.00%	7.00%	8/23/2022	6,983	6,913	6,966	2.9%
Corbett Technology Solutions, Inc. ^(f)	High Tech Industries	L+7.00%	7.76%	11/7/2021	4,500	4,434	4,511	1.9%
Corbett Technology Solutions, Inc. (Revolver) ^(e)	High Tech Industries	L+7.00%	7.76%	11/7/2021	867	—	—	0.0%
Comerstone Detention Products, Inc. ⁽ⁱ⁾	Construction & Building	L+10.50%	10.50% Cash/ 1.00% PIK	4/8/2019	3,784	3,747	3,599	1.5%
Comerstone Detention Products, Inc. (Revolver) ^(e)	Construction & Building	L+9.50%	10.50%	4/8/2019	400	—	—	0.0%
CRCI Holdings, Inc.	Utilities: Electric	L+5.50%	6.50%	8/31/2023	2,993	2,964	2,999	1.3%
Cyalume Technologies Holdings, Inc. ^(f)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	4,291	4,204	4,462	1.9%
Cyalume Technologies Holdings, Inc. (Delayed Draw)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	387	387	402	0.2%
Cyalume Technologies Holdings, Inc. (Revolver) ^(e)	Aerospace & Defense	L+9.00%	10.00%	5/18/2020	1,528	—	—	0.0%
Diesel Direct Holdings, Inc. ^(f)	Energy: Oil & Gas	L+7.00%	7.76%	2/17/2020	5,225	5,217	5,277	2.2%
EB Employee Solutions, LLC ^(f)	Services: Business	L+8.50%	10.00%	2/28/2019	3,370	3,324	3,263	1.4%
Edge Systems Holdings Corporation	Healthcare & Pharmaceuticals	L+8.00%	9.00%	11/29/2021	3,740	3,667	3,665	1.5%
Edge Systems Holdings Corporation (Revolver) ^(e)	Healthcare & Pharmaceuticals	L+8.00%	9.00%	11/29/2021	260	—	—	0.0%
Familia Dental Group Holdings, LLC ^(f)	Healthcare & Pharmaceuticals	L+8.00%	8.76%	4/8/2021	5,397	5,327	5,480	2.3%
Familia Dental Group Holdings, LLC (Delayed Draw)	Healthcare & Pharmaceuticals	L+8.00%	8.76%	4/8/2021	519	519	527	0.2%
Familia Dental Group Holdings, LLC (Revolver) ^(e)	Healthcare & Pharmaceuticals	L+8.00%	8.76%	4/8/2021	573	57	57	0.0%
Forman Mills, Inc. ^(f)	Retail	L+7.50%	8.50%	10/4/2021	8,500	8,337	8,470	3.5%
G&M Opco LLC ^(f)	Construction & Building	L+7.50%	8.26%	6/23/2020	3,006	2,951	3,066	1.3%
InMobi Pte, Ltd. (Delayed Draw) ^{(e) (k) (l)}	Media: Advertising, Printing & Publishing	L+10.17%	10.98%	9/1/2018	10,000	6,667	6,587	2.7%
Inteva Products, LLC	Automotive	L+8.50%	9.75%	9/8/2021	1,978	1,967	1,998	0.8%
Jerry Lee Radio, LLC	Media: Broadcasting & Subscription	L+9.50%	10.26%	12/17/2020	13,407	13,127	13,675	5.7%
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/ 2.25% PIK ^(m)	12/20/2019	2,632	2,602	2,526	1.1%
Landpoint, LLC (Revolver) ^(e)	Energy: Oil & Gas	L+10.50%	12.00%	12/20/2019	313	—	—	0.0%
L.A.R.K. Industries, Inc.	Construction & Building	L+7.00%	8.00%	9/3/2019	6,257	6,169	6,341	2.6%
Littforward SPV II, LLC ^{(e) (l)}	Banking, Finance, Insurance, & Real Estate	L+10.75%	11.51%	11/10/2020	10,000	254	254	0.1%
Luxury Optical Holdings Co.	Retail	L+11.50%	9.00% Cash/ 3.50% PIK	9/12/2019	4,012	3,965	3,948	1.6%

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

December 31, 2016

(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Luxury Optical Holdings Co. (Revolver) ^(e)	Retail	L+8.00%	9.00% Cash	9/12/2019	273	\$ —	\$ —	0.0%
Madison Logic, Inc. ^(f)	Services: Business	L+8.00%	8.76%	11/30/2021	10,500	10,291	10,610	4.4%
Madison Logic, Inc. (Delayed Draw) ^{(e) (k)}	Services: Business	L+8.00%	8.76%	11/30/2021	4,818	—	—	0.0%
Madison Logic, Inc. (Revolver) ^(e)	Services: Business	L+8.00%	8.76%	11/30/2021	988	—	—	0.0%
Miles Media Group LLC	Hotels, Gaming & Leisure	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) ^{(e) (k)}	Hotels, Gaming & Leisure	L+11.00%	10.00% Cash/ 2.00% PIK	3/24/2021	1,455	—	—	0.0%
Miles Media Group LLC (Revolver) ^(e)	Hotels, Gaming & Leisure	L+11.00%	10.00% Cash/ 2.00% PIK	3/24/2021	320	—	—	0.0%
O'Brien Industrial Holdings, LLC	Metals & Mining	L+7.75%	8.75%	5/13/2019	5,286	5,219	5,268	2.2%
Peerless Network, Inc. ^(f)	Telecommunications	L+8.50%	9.18% Cash/ ⁽ⁿ⁾ 0.75% PIK	12/11/2020	3,500	3,431	3,430	1.4%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+5.50%	6.50%	7/1/2020	4,698	4,619	4,693	1.9%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+11.50%	12.50%	7/1/2020	4,849	4,765	4,805	2.0%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) ^(e)	Services: Consumer	L+8.50%	9.50%	8/11/2017	236	—	—	0.0%
Precision Toxicology, LLC ^(f)	Healthcare & Pharmaceuticals	L+11.50%	10.26% Cash/ 2.00% PIK	3/24/2020	4,242	4,186	4,244	1.8%
Repay Holdings, LLC	Banking, Finance, Insurance & Real Estate	L+9.00%	9.76%	9/1/2021	12,000	11,802	11,934	5.0%
Repay Holdings, LLC (Revolver) ^(e)	Banking, Finance, Insurance & Real Estate	L+9.00%	9.76%	9/1/2021	1,200	—	—	0.0%
Rockdale Blackhawk, LLC ^(g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	10,923	10,155	10,933	4.5%
Rockdale Blackhawk, LLC (Revolver) ^{(e) (g)}	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	1,849	924	924	0.4%
Rockdale Blackhawk, LLC (Capex) ^(g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	565	565	565	0.2%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	12.00% PIK	8/29/2019	1,124	1,125	464	0.2%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	15.00% PIK	8/29/2019	407	402	365	0.2%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	17.00% PIK	3/31/2017	225	225	225	0.1%
SHI Holdings, Inc. ^{(f) (g)}	Healthcare & Pharmaceuticals	L+9.25%	10.01%	7/10/2019	2,625	2,592	2,625	1.1%
SHI Holdings, Inc. (Revolver) ^{(e) (g)}	Healthcare & Pharmaceuticals	L+9.25%	10.01%	7/10/2019	1,773	1,188	1,203	0.5%
Shields Land Company of Georgia, LLC ^(l)	Banking, Finance, Insurance & Real Estate	L+9.50%	10.15%	12/28/2017	2,450	2,425	2,445	1.0%
Solaray, LLC	Consumer Goods: Non Durable	L+6.50%	7.50%	9/9/2023	3,297	3,265	3,280	1.4%
Solaray, LLC (Delayed Draw) ^{(e) (k)}	Consumer Goods: Non Durable	L+6.50%	7.50%	9/9/2023	703	—	—	0.0%
SNI Companies ^(o)	Services: Business	L+8.00%	9.00%	12/31/2018	5,357	5,299	5,378	2.2%
SNI Companies (Revolver) ^(e)	Services: Business	L+8.00%	9.00%	12/31/2018	1,250	313	313	0.1%
Summit Container Corporation ^{(f) (g)}	Containers, Packaging & Glass	L+12.00%	12.00% Cash/ 2.00% PIK	1/6/2019	3,624	3,582	3,550	1.5%
Synergy Environmental Corporation ^(f)	Environmental Industries	L+8.00%	8.76%	4/29/2021	3,130	3,068	3,148	1.3%
Synergy Environmental Corporation ^(f)	Environmental Industries	L+8.00%	8.76%	4/29/2021	523	513	526	0.2%
Synergy Environmental Corporation (Delayed Draw) ^{(e) (k)}	Environmental Industries	L+8.00%	8.76%	4/29/2018	1,342	—	—	0.0%
Synergy Environmental Corporation (Revolver) ^(e)	Environmental Industries	L+8.00%	8.76%	4/29/2021	671	94	94	0.0%
Tectum Holdings, Inc.	Automotive	L+4.75%	5.75%	8/24/2023	1,995	1,976	2,025	0.8%
The Worth Collection, Ltd. ^(f)	Retail	L+8.50%	9.26%	9/29/2021	11,000	10,789	11,132	4.6%
TPP Operating, Inc. ^(p)	Retail	L+6.00%	7.50% ⁽ⁱ⁾	11/8/2018	9,370	9,330	1,799	0.7%
TPP Operating, Inc. ^(p)	Retail	L+6.00%	7.50% ⁽ⁱ⁾	11/8/2018	4,344	4,344	4,344	1.8%
TPP Operating, Inc. ^(p)	Retail	L+9.61%	11.11% ⁽ⁱ⁾	11/8/2018	2,756	2,756	2,756	1.1%
TRG, LLC	Hotels, Gaming & Leisure	L+13.80%	8.12% Cash/ ^(q) 6.30% PIK	3/31/2021	11,876	11,837	11,960	5.0%
TRG, LLC (Revolver)	Hotels, Gaming & Leisure	L+9.50%	10.12%	3/31/2021	131	131	131	0.1%
TRG, LLC (CapEx) ^(e)	Hotels, Gaming & Leisure	L+9.50%	8.12% Cash/ 2.00% PIK	3/31/2021	1,609	943	946	0.4%
Vacation Innovations, LLC ^(r)	Hotels, Gaming & Leisure	L+9.40%	7.76% Cash/ ^(s) 2.42% PIK	8/20/2020	10,553	10,382	10,848	4.5%
Vacation Innovations, LLC (Revolver) ^(e)	Hotels, Gaming & Leisure	L+8.50%	7.76% Cash/ 1.50% PIK	8/20/2020	342	—	—	0.0%

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

December 31, 2016

(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
Vacation Innovations, LLC (Delayed Draw) ^{(e) (k)}	Hotels, Gaming & Leisure	L+8.50%	7.76% Cash/ 1.50% PIK	8/20/2020	2,037	\$ —	\$ —	0.0%
Yandy Holding, LLC	Retail	L+9.00%	10.00%	9/30/2019	5,677	5,625	5,581	2.3%
Yandy Holding, LLC (Revolver) ^(e)	Retail	L+9.00%	10.00%	9/30/2019	907	—	—	0.0%
Total Senior Secured Loans					322,496	280,324	275,253	114.3%
Unitranche Loans								
Collaborative Neuroscience Network, LLC ^(l)	Healthcare & Pharmaceuticals	L+11.50%	13.00%	12/27/2017	6,120	6,059	5,814	2.4%
Collaborative Neuroscience Network, LLC	Healthcare & Pharmaceuticals	n/a	12.00% Cash/ 3.00% PIK	12/27/2017	286	286	286	0.1%
Fabco Automotive Corporation	Automotive	L+11.25%	8.00% Cash/ 4.25% PIK	4/3/2019	8,587	8,553	3,491	1.4%
Gracelock Industries, LLC	Wholesale	L+13.74%	11.00% Cash/ ^(u) 4.24% PIK	5/7/2019	4,888	4,816	4,500	1.9%
Incipio Technologies, Inc. ^(v)	Consumer Goods: Non-Durable	L+6.00%	7.00%	12/26/2019	14,291	14,045	14,219	5.9%
MooreCo, Inc.	Consumer Goods: Durable	L+14.50%	13.50% Cash/ 2.50% PIK	12/27/2017	3,620	3,600	3,620	1.5%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/ 1.00% PIK	12/17/2020	6,500	6,432	6,520	2.7%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/ 1.00% PIK	12/17/2020	8,296	8,189	8,391	3.5%
Playtime, LLC	Hotels, Gaming & Leisure	L+8.50%	9.00% Cash/ 1.00% PIK	12/31/2021	5,405	5,381	4,797	2.0%
Total Unitranche Loans					57,993	57,361	51,638	21.4%
Junior Secured Loans								
AIM Aerospace, Inc.	Aerospace & Defense	L+9.00%	10.00%	8/2/2022	5,000	4,933	5,040	2.1%
Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25%	5/8/2019	8,594	8,215	8,547	3.5%
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.75%	7/3/2021	5,792	5,792	4,335	1.8%
Education Corporation of America	Services: Consumer	L+11.00%	12.00%	12/31/2018	4,167	4,099	4,167	1.7%
Hyland Software Inc.	High Tech Industries	L+7.25%	8.25%	7/1/2023	5,000	4,832	5,100	2.1%
Mergermarket USA, Inc.	Media: Broadcasting & Subscription	L+6.50%	7.50%	12/19/2021	4,500	4,400	4,371	1.8%
Micro Holdings Corp.	High Tech Industries	L+7.50%	8.50%	7/8/2022	5,590	5,475	5,590	2.3%
Mud Pie, LLC	Consumer Goods: Non-Durable	n/a	10.00% Cash/ 1.50% PIK	11/4/2020	5,221	5,145	5,325	2.2%
New NSI Holdings, Inc.	Chemicals, Plastics & Rubber	L+8.25%	9.25%	7/28/2022	4,000	3,949	4,040	1.7%
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+9.00%	10.25%	7/1/2020	3,000	3,000	3,021	1.3%
Rocket Dog Brands, LLC ^(g)	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/1/2020	1,938	1,938	—	0.0%
Sterling Merger Sub Corp.	Services: Business	L+7.75%	8.75%	6/19/2023	5,000	4,958	4,892	2.0%
SCP TPZ Acquisition, Inc.	Media: Diversified & Production	L+8.25%	9.25%	5/29/2022	5,000	4,938	4,938	2.1%
Total Junior Secured Loans					62,802	61,674	59,366	24.6%
Equity Securities								
AdTheorent, Inc. (128,866 Units) ^(w)	Media: Advertising, Printing & Publishing	—	— ^(x)	—	—	129	129	0.1%
American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity) ^(g)	Banking, Finance, Insurance & Real Estate	—	— ^(x)	10/9/2024	—	—	1,315	0.6%
BookIt Operating LLC (warrant to purchase up to 3.0% of the equity) ^(w)	Hotels, Gaming & Leisure	—	— ^(x)	12/21/2023	—	—	201	0.1%
Collaborative Neuroscience Network, LLC (warrant to purchase up to 4 LLC units) ^(w)	Healthcare & Pharmaceuticals	—	— ^(x)	12/27/2022	—	—	—	0.0%
Cyalume Technologies Holdings, Inc. – Series D Preferred Stock (3.06 shares) ^(w)	Aerospace & Defense	—	— ^(x)	—	—	—	697	0.3%
Education Corporation of America – Series G Preferred Stock (8,333 shares) ^(w)	Services: Consumer	n/a	12.00%	—	—	8,125	8,121	3.4%
Fabco Automotive Corporation (warrant to purchase up to 1.87% of the equity) ^(w)	Automotive	—	— ^(x)	—	—	—	—	0.0%
InMobi Pte, Ltd. (represents the right to purchase 0.42% of the equity) ^{(l) (w)}	Media: Advertising, Printing & Publishing	—	— ^(x)	9/18/2025	—	—	49	0.0%

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

December 31, 2016

(in thousands, except for units)

Portfolio Company ^(a)	Industry	Spread Above Index ^(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value ^(c)	% of Net Assets ^(d)
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) ^(w)	Metals & Mining	—	—(x)	5/13/2024	—	\$ —	\$ —	0.0%
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) ^(w)	Services: Business	—	—(x)	12/17/2022	—	—	797	0.3%
Playtime, LLC – Preferred Units (8,665 units) ^(w)	Hotels, Gaming & Leisure	—	—(x)	—	—	200	—	0.0%
Rockdale Blackhawk, LLC – LLC Units (11.56% of the LLC interest) ^(g)	Healthcare & Pharmaceuticals	—	—	—	—	1,093	14,655	6.1%
Rocket Dog Brands, LLC – Common Units (75,502 units) ^(g)	Consumer Goods: Non-Durable	—	—(x)	—	—	—	—	0.0%
Rocket Dog Brands, LLC – Preferred Units (10 units) ^(g)	Consumer Goods: Non-Durable	—	15.00% PIK ^(y)	—	—	967	—	0.0%
SHI Holdings, Inc. (24 shares of common stock) ^(g)	Healthcare & Pharmaceuticals	—	—(x)	—	—	27	469	0.2%
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) ^(g)	Containers, Packaging & Glass	—	—(x)	1/6/2024	—	—	113	0.0%
The Tie Bar Operating Company, LLC – Class A Preferred Units (1,275 units) ^(w)	Retail	—	—	—	—	86	117	0.0%
The Tie Bar Operating Company, LLC – Class B Preferred Units (1,275 units) ^(w)	Retail	—	—	—	—	1	—	0.0%
TPP Acquisition, Inc. (829 shares of common stock) ^(p)	Retail	—	—(x)	—	—	—	—	0.0%
TPP Operating, Inc. (40 shares of common stock) ^(p)	Retail	—	—(x)	—	—	3,255	—	0.0%
Total Equity Securities						<u>13,883</u>	<u>26,663</u>	<u>11.1%</u>
TOTAL INVESTMENTS						<u>\$ 413,242</u>	<u>\$ 412,920</u>	<u>171.4%</u>

- (a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940 (the “1940 Act”), unless otherwise noted. All investments are non-controlled/non-affiliate company investments, 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.
- (b) 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. For 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.
- (c) Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith by our board of directors as required by the 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 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.
- (f) 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.
- (g) 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).
- (h) This is a demand note with no stated maturity.

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

December 31, 2016

(in thousands, except for units)

- (i) 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 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.
- (k) This delayed draw loan requires that certain financial covenants be met by the portfolio company prior to any fundings.
- (l) 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.
- (m) 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.
- (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 \$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.
- (p) 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.
- (q) 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,
- (r) 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.
- (s) The PIK portion of the 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.
- (t) 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.
- (u) 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.
- (v) 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.
- (w) Represents less than 5% ownership of the portfolio company's voting securities.
- (x) Represents a non-income producing security.
- (y) This position includes a PIK dividend and is currently on non-accrual status.

n/a — not applicable

See Notes to Consolidated Financial Statements.

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 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 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 March 31, 2017, MRCC SBIC had \$50,000 in leverageable capital and \$60,000 in SBA-guaranteed debentures outstanding. See Note 7 for additional information.

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 consolidated the results of the Company’s wholly-owned subsidiaries, MRCC SBIC and its wholly-owned general partner MCC SBIC GP, LLC, and MC Forest Park 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 \$5,539 and \$6,192 as of March 31, 2017 and December 31, 2016, respectively. Upfront loan origination and closing fees received for the three months ended March 31, 2017 and 2016 totaled \$690 and \$1,146, respectively. For the three months ended March 31, 2017 and 2016, interest income included \$388 and \$365 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 months ended March 31, 2017 and 2016, interest income included \$652 and \$377 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 months ended March 31, 2017 and 2016, interest income included \$613 and \$370 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 appreciation (depreciation) 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. We generally reverse 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 \$11,507 and \$10,394 at March 31, 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 (appreciation) depreciation 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.

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 March 31, 2017 and December 31, 2016, the Company had unamortized deferred financing costs of \$4,268 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 borrowings. Amortization of deferred financing costs for the three months ended March 31, 2017 and 2016 was \$231 and \$182, 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 March 31, 2017 and December 31, 2016, other assets on the consolidated statements of assets and liabilities included \$268 and \$281, respectively, of deferred offering costs which will be charged against the proceeds from further equity offerings when received.

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 months ended March 31, 2017 and 2016, zero and \$87, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes.

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 March 31, 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. 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 three months ended March 31, 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 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):

	March 31, 2017		December 31, 2016	
Amortized Cost:				
Senior secured loans	\$ 307,532	72.9%	\$ 280,324	67.8%
Unitranche loans	56,300	13.3	57,361	13.9
Junior secured loans	44,387	10.5	61,674	14.9
Equity securities	13,883	3.3	13,883	3.4
Total	<u>\$ 422,102</u>	<u>100.0%</u>	<u>\$ 413,242</u>	<u>100.0%</u>

	March 31, 2017		December 31, 2016	
Fair Value:				
Senior secured loans	\$ 300,223	71.8%	\$ 275,253	66.7%
Unitranche loans	50,465	12.1	51,638	12.5
Junior secured loans	42,260	10.1	59,366	14.4
Equity securities	25,201	6.0	26,663	6.4
Total	<u>\$ 418,149</u>	<u>100.0%</u>	<u>\$ 412,920</u>	<u>100.0%</u>

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:

	March 31, 2017		December 31, 2016	
Amortized Cost:				
International	\$ 6,667	1.6%	\$ 6,667	1.6%
Midwest	65,248	15.5	59,710	14.5
Northeast	104,514	24.7	105,482	25.5
South	2,431	0.6	2,425	0.6
Southeast	66,123	15.7	60,719	14.7
Southwest	51,139	12.1	50,562	12.2
West	125,980	29.8	127,677	30.9
Total	<u>\$ 422,102</u>	<u>100.0%</u>	<u>\$ 413,242</u>	<u>100.0%</u>

	March 31, 2017		December 31, 2016	
Fair Value:				
International	\$ 6,667	1.6%	\$ 6,636	1.6%
Midwest	65,900	15.7	60,579	14.7
Northeast	107,409	25.7	108,188	26.2
South	2,460	0.6	2,445	0.6
Southeast	66,903	16.0	61,128	14.8
Southwest	51,685	12.4	54,263	13.1
West	117,125	28.0	119,681	29.0
Total	<u>\$ 418,149</u>	<u>100.0%</u>	<u>\$ 412,920</u>	<u>100.0%</u>

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):

	March 31, 2017		December 31, 2016	
Amortized Cost:				
Aerospace & Defense	\$ 9,760	2.3%	\$ 9,524	2.3%
Automotive	10,596	2.5	12,496	3.0
Banking, Finance, Insurance & Real Estate	52,397	12.4	34,912	8.4
Beverage, Food & Tobacco	18,021	4.3	18,068	4.4
Chemicals, Plastics & Rubber	—	—	3,949	1.0
Construction & Building	18,356	4.4	18,282	4.4
Consumer Goods: Durable	3,565	0.8	3,600	0.9
Consumer Goods: Non-Durable	24,783	5.9	35,567	8.6
Containers, Packaging & Glass	3,556	0.8	3,582	0.9
Energy: Oil & Gas	7,651	1.8	7,819	1.9
Environmental Industries	3,605	0.9	3,675	0.9
Healthcare & Pharmaceuticals	42,703	10.1	41,584	10.1
High Tech Industries	15,999	3.8	19,746	4.8
Hotels, Gaming & Leisure	38,457	9.1	37,860	9.2
Media: Advertising, Printing & Publishing	11,932	2.8	11,781	2.8
Media: Broadcasting & Subscription	17,373	4.1	17,527	4.2
Media: Diversified & Production	4,940	1.2	4,938	1.2
Metals & Mining	5,225	1.2	5,219	1.3
Retail	51,130	12.1	48,488	11.7
Services: Business	37,154	8.8	38,806	9.4
Services: Consumer	21,012	5.0	24,608	5.9
Telecommunications	3,434	0.8	3,431	0.8
Utilities: Electric	2,840	0.7	2,964	0.7
Wholesale	17,613	4.2	4,816	1.2
Total	<u>\$ 422,102</u>	<u>100.0%</u>	<u>\$ 413,242</u>	<u>100.0%</u>

	March 31, 2017		December 31, 2016	
Fair Value:				
Aerospace & Defense	\$ 10,784	2.6%	\$ 10,601	2.6%
Automotive	5,086	1.2	7,514	1.8
Banking, Finance, Insurance & Real Estate	54,797	13.1	37,130	9.0
Beverage, Food & Tobacco	17,518	4.2	16,794	4.1
Chemicals, Plastics & Rubber	—	—	4,040	1.0
Construction & Building	18,646	4.5	18,602	4.5
Consumer Goods: Durable	3,579	0.8	3,620	0.9
Consumer Goods: Non-Durable	20,159	4.8	32,000	7.7
Containers, Packaging & Glass	3,440	0.8	3,663	0.9
Energy: Oil & Gas	7,642	1.8	7,803	1.9
Environmental Industries	3,721	0.9	3,768	0.9
Healthcare & Pharmaceuticals	56,360	13.5	56,435	13.7
High Tech Industries	14,848	3.5	18,899	4.6
Hotels, Gaming & Leisure	38,570	9.2	38,010	9.2
Media: Advertising, Printing & Publishing	12,086	2.9	11,742	2.8
Media: Broadcasting & Subscription	17,961	4.3	18,046	4.4
Media: Diversified & Production	4,937	1.2	4,938	1.2
Metals & Mining	5,363	1.3	5,268	1.3
Retail	38,782	9.3	38,147	9.2
Services: Business	38,719	9.3	40,164	9.7
Services: Consumer	21,163	5.1	24,807	6.0
Telecommunications	3,498	0.8	3,430	0.8
Utilities: Electric	2,872	0.7	2,999	0.7
Wholesale	17,618	4.2	4,500	1.1
Total	<u>\$ 418,149</u>	<u>100.0%</u>	<u>\$ 412,920</u>	<u>100.0%</u>

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.

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 March 31, 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 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 (appreciation) depreciation 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.

Fair Value Disclosures

The following table presents fair value measurements of investments and secured borrowings, by major class, as of March 31, 2017, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Senior secured loans	\$ —	\$ —	\$ 300,223	\$ 300,223
Unitranche loans	—	—	50,465	50,465
Junior secured loans	—	—	42,260	42,260
Equity securities	—	—	25,201	25,201
Total Investments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 418,149</u>	<u>\$ 418,149</u>
Secured borrowings	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,315</u>	<u>\$ 1,315</u>

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			
	Level 1	Level 2	Level 3	Total
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	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 412,920</u>	<u>\$ 412,920</u>
Secured borrowings	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,314</u>	<u>\$ 1,314</u>

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 6.15% to 17.00% at March 31, 2017 and 5.75% to 17.00% at December 31, 2016. The maturity dates on the loans outstanding at March 31, 2017 range between April 2017 and September 2023.

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 months ended March 31, 2017 and 2016:

	Investments					Secured borrowings
	Senior secured loans	Unitranche loans	Junior secured loans	Equity securities	Total investments	
Balance as of December 31, 2016	\$ 275,253	\$ 51,638	\$ 59,366	\$ 26,663	\$ 412,920	\$ 1,314
Net change in unrealized appreciation (depreciation) on investments	(2,241)	(110)	182	(1,462)	(3,631)	—
Net realized gain (loss) on investments	41	—	—	126	167	—
Purchases of investments and other adjustments to cost ⁽¹⁾	42,156	232	149	—	42,537	—
Proceeds from principal payments and sales on investments ⁽²⁾	(14,986)	(1,295)	(17,437)	(126)	(33,844)	—
Net change in unrealized appreciation (depreciation) on secured borrowings	—	—	—	—	—	1
Proceeds from secured borrowings	—	—	—	—	—	—
Repayments on secured borrowings	—	—	—	—	—	—
Balance as of March 31, 2017	<u>\$ 300,223</u>	<u>\$ 50,465</u>	<u>\$ 42,260</u>	<u>\$ 25,201</u>	<u>\$ 418,149</u>	<u>\$ 1,315</u>

	Investments					
	Senior secured loans	Unitranche loans	Junior secured loans	Equity securities	Total investments	Secured borrowings
Balance as of December 31, 2015	\$ 190,559	\$ 68,090	\$ 63,388	\$ 19,054	\$ 341,091	\$ 2,476
Reclassifications	6,525	(6,525)	—	—	—	—
Net change in unrealized appreciation (depreciation) on investments	989	(339)	(1,219)	2,111	1,542	—
Net realized gain (loss) on investments	—	—	—	587	587	—
Purchases of investments and other adjustments to cost ⁽¹⁾	18,271	1,114	7,666	—	27,051	—
Proceeds from principal payments and sales on investments ⁽²⁾	(14,076)	(6,780)	(5,360)	(587)	(26,803)	—
Net change in unrealized appreciation (depreciation) on secured borrowings	—	—	—	—	—	(28)
Proceeds from secured borrowings	—	—	—	—	—	—
Repayments on secured borrowings	—	—	—	—	—	(200)
Balance as of March 31, 2016	<u>\$ 202,268</u>	<u>\$ 55,560</u>	<u>\$ 64,475</u>	<u>\$ 21,165</u>	<u>\$ 343,468</u>	<u>\$ 2,248</u>

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

(2) Represent net proceeds from investments sold and principal paydowns received.

The total change in unrealized appreciation (depreciation) included in the consolidated statements of operations within net change in unrealized appreciation (depreciation) on investments for the three months ended March 31, 2017 and 2016, attributable to Level 3 investments still held at March 31, 2017 and 2016, was (\$2,727) and \$2,067, respectively. The total change in unrealized (appreciation) depreciation included in the consolidated statements of operations within net change in unrealized (appreciation) depreciation on secured borrowings for the three months ended March 31, 2017 and 2016, attributable to Level 3 investments still held at March 31, 2017 and 2016, was (\$1) and \$28, 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 months ended March 31, 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 March 31, 2017 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Mean	Range	
					Minimum	Maximum
Assets:						
Senior secured loans	\$ 233,123	Discounted cash flow	EBITDA multiples	7.1x	3.0x	13.0x
			Market yields	11.6%	7.0%	23.5%
Senior secured loans	14,290	Waterfall	Delinquency ratio	0.0%	0.0%	0.0%
Senior secured loans	10,570		Enterprise value	Revenue multiples	0.3x	0.3x
Senior secured loans	6,623	Discounted cash flow	Revenue multiples	2.9x	2.5x	3.3x
			Market yields	14.7%	13.5%	16.0%
Senior secured loans	4,033	Enterprise value	EBITDA multiples	5.5x	5.0x	6.0x
Unitranche loans	43,478		Discounted cash flow	EBITDA multiples	6.1x	4.5x
		Combination of discounted cash flow and enterprise value	Market yields	13.7%	10.5%	20.5%
Unitranche loans	3,121		Revenue multiples	0.5x	0.5x	0.6x
		Enterprise value	Market yields	31.7%	28.4%	34.9%
Unitranche loans	288		EBITDA multiples	5.0x	4.5x	5.5x
Junior secured loans	5,675	Discounted cash flow	EBITDA multiples	9.1x	3.5x	10.3x
			Market yields	11.2%	10.4%	13.5%
Equity securities	17,074	Enterprise value	EBITDA multiples	6.4x	4.8x	11.8x
Equity securities	8,083		Discounted cash flow	EBITDA multiples	3.8x	3.5x
		Enterprise value	Market yields	18.0%	17.0%	19.0%
Equity securities	44		Revenue multiples	3.0x	2.8x	3.3x
Total Level 3 Assets	\$ 346,402(1)					
Liabilities:						
Secured Borrowings	\$ 1,315	Discounted cash flow	Market yields	7.7%	7.1%	8.2%

(1) Excludes loans of \$63,132 at fair value where valuation (unadjusted) is obtained from a third-party pricing service for which such disclosure is not required. Also excludes loans of \$8,615 at fair value which were fully repaid subsequent to March 31, 2017 where valuation represents the repayment

price.

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
Assets:						
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%
		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	EBITDA multiples	4.6x	3.3x	13.3x
Equity securities	249	Enterprise value	Revenue multiples	0.8x	0.1x	3.8x
Total Level 3 Assets	\$ 324,792(1)					
Liabilities:						
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 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 March 31, 2017 and December 31, 2016, the fair value of the Company's SBA debentures using Level 3 inputs were estimated at \$60,000 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 three months ended March 31, 2017 and 2016 were as follows:

Portfolio Company	Fair value at December 31, 2016	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net unrealized gains (losses)	Fair value at March 31, 2017
Non-controlled affiliate company investments ⁽¹⁾ :								
American Community Homes, Inc.	\$ 13,950	\$ —	\$ 55	\$ —	\$ 16	\$ —	\$ 59	\$ 14,080
Rockdale Blackhawk, LLC	27,077	925	(16)	—	47	—	(1,348)	26,685
Rocket Dog Brands, LLC	1,054	—	—	130	1	—	(662)	523
SHI Holdings, Inc.	4,297	205	—	—	5	—	(16)	4,491
Summit Container Corporation	3,663	—	(51)	19	6	—	(197)	3,440
Total non-controlled affiliate company investments	\$ 50,041	\$ 1,130	\$ (12)	\$ 149	\$ 75	\$ —	\$ (2,164)	\$ 49,219
Controlled affiliate company investments ⁽¹⁾ :								
TPP Acquisition, Inc. ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TPP Operating, Inc. ⁽²⁾	8,899	2,807	—	—	—	—	(1,659)	10,047
Total controlled affiliate company investments	\$ 8,899	\$ 2,807	\$ —	\$ —	\$ —	\$ —	\$ (1,659)	\$ 10,047

Portfolio Company	Fair value at December 31, 2015	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net unrealized gains (losses)	Fair value at March 31, 2016
Non-controlled affiliate company investments ⁽¹⁾ :								
American Community Homes, Inc.	\$ 11,692	\$ 488	\$ —	\$ 46	\$ 14	\$ —	\$ 506	\$ 12,746
Rockdale Blackhawk, LLC	21,903	—	(1,099)	—	45	—	1,662	22,511
Rocket Dog Brands, LLC	1,752	194	—	89	—	—	(536)	1,499
Summit Container Corporation	3,400	137	(51)	10	6	—	196	3,698
Total non-controlled affiliate company investments	\$ 38,747	\$ 819	\$ (1,150)	\$ 145	\$ 65	\$ —	\$ 1,828	\$ 40,454
Controlled affiliate company investments ⁽¹⁾ :								
TPP Acquisition, Inc.	\$ 6,525	\$ 340	\$ —	\$ —	\$ —	\$ —	\$ 573	\$ 7,438
Total controlled affiliate company investments	\$ 6,525	\$ 340	\$ —	\$ —	\$ —	\$ —	\$ 573	\$ 7,438

For the three months ended March 31,

Portfolio Company	2017			2016		
	Interest income	Dividend income	Fee income	Interest income	Dividend income	Fee income
Non-controlled affiliate company investments ⁽¹⁾						
American Community Homes, Inc.	\$ 365	\$ —	\$ —	\$ 344	\$ —	\$ —
Rockdale Blackhawk, LLC	436	—	—	471	1,612	—
Rocket Dog Brands, LLC	129	—	—	114	—	—
SHI Holdings, Inc.	103	—	—	—	—	—
Summit Container Corporation	163	—	—	144	—	—
Total non-controlled affiliate company investments	\$ 1,196	\$ —	\$ —	\$ 1,073	\$ 1,612	\$ —
Controlled affiliate company investments ⁽¹⁾ :						
TPP Acquisition, Inc.	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TPP Operating, Inc.	177	—	—	—	—	—
Total controlled affiliate company investments	\$ 177	\$ —	\$ —	\$ —	\$ —	\$ —

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

(2) 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 and 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 March 31, 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 months ended March 31, 2017 and 2016 were \$1,805 and \$1,500, 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 preincentive fee net investment income will be payable except to the extent that 20.0% 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 preincentive 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 preincentive fee net investment income, 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 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.

Incentive fees, for the three months ended March 31, 2017 and 2016 were \$1,290 and \$1,740, respectively. Incentive fees for the three months ended March 31, 2017 consisted of part one incentive fees (based on net investment income) of \$1,465 and part two incentive fees (based upon net realized and unrealized gains and losses) of (\$175). Part two incentive fees reduced total incentive fees for the three months ended March 31, 2017 primarily as a result of net unrealized losses during the period. Incentive fees for the three months ended March 31, 2016 consisted of part one incentive fees (based on net investment income) of \$1,505 and part two incentive fees (based upon net realized and unrealized gains and losses) of \$235. 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 gains (losses) plus net unrealized appreciation (depreciation) decreases 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 gains (losses) plus net unrealized appreciation (depreciation).

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 months ended March 31, 2017 and 2016, the Company incurred \$830 and \$699, 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 \$330 and \$328, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. As of March 31, 2017 and December 31, 2016, \$330 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 March 31, 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.

Note 7. Borrowings

Revolving Credit Facility: As of March 31, 2017 and December 31, 2016, the Company had \$136,000 and \$129,000 outstanding, respectively, under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company’s assets. As of March 31, 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 upsized 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 3.00%, with a further step-down to LIBOR plus 2.75% when net worth (excluding investments in MRCC SBIC) exceeds \$225,000 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%. 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 March 31, 2017 and December 31, 2016, the outstanding borrowings were accruing at a weighted average interest rate of 3.9% and 3.8%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three months ended March 31, 2017 and 2016 was 4.1% and 3.5%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three months ended March 31, 2017 and 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. 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: On February 28, 2014, the Company's 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 the Company's stockholders in the event the Company liquidates 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 \$150,000 when it has at least \$75,000 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 \$225,000 in total borrowings. On December 18, 2015, this family of funds limitation was raised to \$350,000 in total borrowings. As the Company has other affiliated SBICs already in operation, MRCC SBIC was historically limited to a maximum of \$40,000 in borrowings. Pursuant to the increase in the family of funds limitation, the Company submitted a commitment application to the SBA and on April 13, 2016, MRCC SBIC was approved by the SBA for an additional \$75,000 in SBA-guaranteed debentures, for a total of \$115,000 in available debentures.

As of March 31, 2017, MRCC SBIC had \$50,000 in leverageable capital and \$60,000 in SBA-guaranteed debentures outstanding. As of December 31, 2016, MRCC SBIC had \$41,000 in leverageable capital and \$51,500 in SBA-guaranteed debentures outstanding. In order to gain access to the entirety of the \$55,000 in remaining available debentures, the Company would be required to contribute to MRCC SBIC an additional \$7,624 in leverageable capital. The Company made the additional contribution of \$7,624 in leverageable capital to MRCC SBIC subsequent to March 31, 2017.

As of March 31, 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
Total		<u>\$ 60,000</u>

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% ⁽¹⁾	9,200
March 2027	2.0% ⁽¹⁾	2,300
Total		<u>\$ 51,500</u>

(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 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 March 31, 2017, secured borrowings at fair value totaled \$1,315 and the fair value of the loans that are associated with these secured borrowings was \$5,854. As of December 31, 2016, secured borrowings at fair value totaled \$1,314 and the fair value of the loans that are associated with these secured borrowings was \$5,814. These secured borrowings were created as a result of the Company’s 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 three months ended March 31, 2017. During the three months ended March 31, 2017 and 2016, repayments on secured borrowings totaled zero and \$200, respectively. The weighted average interest rate on the Company’s secured borrowings was approximately 6.5% and 6.3% as of March 31, 2017 and December 31, 2016, respectively.

Components of interest expense: The components of the Company’s interest expense and other debt financing expenses are as follows:

	Three months ended March 31,	
	2017	2016
Interest expense – revolving credit facility	\$ 1,345	\$ 1,128
Interest expense – SBA debentures	406	326
Amortization of deferred financing costs	231	182
Interest expense – secured borrowings	21	37
Other	7	18
Total interest and other debt financing expenses	<u>\$ 2,010</u>	<u>\$ 1,691</u>

Note 8. Distributions

The Company's distributions are recorded on the record date. The following table summarizes distributions declared during the three months ended March 31, 2017 and 2016:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value	DRIP Shares Repurchased in the Open Market	Cost of DRIP Shares Repurchased
Three months ended March 31, 2017:								
March 7, 2017	March 17, 2017	March 31, 2017	\$ 0.35	\$ 5,549	16,217	\$ 254	—	\$ —
Total distributions declared			<u>\$ 0.35</u>	<u>\$ 5,549</u>	<u>16,217</u>	<u>\$ 254</u>	<u>—</u>	<u>\$ —</u>
Three months ended March 31, 2016:								
March 4, 2016	March 15, 2016	March 31, 2016	\$ 0.35	\$ 4,553	—	\$ —	20,144	\$ 277
Total distributions declared			<u>\$ 0.35</u>	<u>\$ 4,553</u>	<u>—</u>	<u>\$ —</u>	<u>20,144</u>	<u>\$ 277</u>

Note 9. Stock Activity

Stock Issuances: On July 1, 2016, the Company amended the ATM securities offering program with MLV & Co, LLC ("MLV") and JMP Securities LLC to replace MLV with FBR Capital Markets & Co., an affiliate of MLV. During the three months ended March 31, 2017, the Company sold 113,600 shares at an average price of \$15.70 per share for gross proceeds of \$1,784 under the ATM program. Aggregate underwriters' discounts and commissions were \$27 and offering costs were \$21, resulting in net proceeds of approximately \$1,736. There were no stock issuances during the three months ended March 31, 2016.

Note 10. Commitments and Contingencies

Commitments: As of March 31, 2017 and December 31, 2016, the Company had \$34,961 and \$37,716, respectively, in outstanding commitments to fund investments under undrawn revolvers, capital expenditure loans and delayed draw commitments.

Indemnifications: In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company's maximum exposure under these agreements is unknown, as these involve future claims that may be made against the Company but that have not occurred. The Company expects the risk of any future obligations under these indemnifications to be remote.

Concentration of credit and counterparty risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of the contract. In the event that the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparties or issuers of the instruments. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Market risk: The Company's investments and borrowings are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments and borrowings are traded.

Legal proceedings: In the normal course of business, the Company may be subject to legal and regulatory proceedings that are generally incidental to its ongoing operations. While there can be no assurance of the ultimate disposition of any such proceedings, the Company is not currently aware of any such proceedings or disposition that would have a material adverse effect on the Company's consolidated financial statements.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the three months ended March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016
Per share data:		
Net asset value at beginning of period	\$ 14.52	\$ 14.19
Net investment income ⁽¹⁾	0.36	0.44
Net gain (loss) on investments and secured borrowings ⁽¹⁾	(0.21)	0.17
Net increase in net assets from operations ⁽¹⁾	0.15	0.61
Stockholder distributions ⁽²⁾	(0.35)	(0.35)
Effect of share issuances above (below) NAV ⁽³⁾	0.02	—
Net asset value at end of period	<u>\$ 14.34</u>	<u>\$ 14.45</u>
Net assets at end of period	\$ 239,606	\$ 187,926
Shares outstanding at end of period	16,711,686	13,008,007
Per share market value at end of period	\$ 15.73	\$ 13.85
Total return based on market value ⁽⁴⁾	4.56%	8.50%
Total return based on average net asset value ⁽⁵⁾	1.07%	4.27%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets ⁽⁶⁾	11.83%	15.32%
Ratio of total expenses to average net assets ^{(6) (7)}	8.44%	9.60%
Average debt outstanding	\$ 180,578	\$ 162,085
Average debt outstanding per share	\$ 10.88	\$ 12.46
Portfolio turnover ⁽⁸⁾	8.14%	7.69%

(1) Calculated using the weighted average shares outstanding during the period.

- (2) 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 the Company's taxable earnings fall below the total amount of the Company's distributions for that fiscal year, a portion of those distributions may be deemed a tax return of capital to the Company's 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 March 31, 2017 and 2016, none of the distributions would have been characterized as a tax return of capital to the Company's stockholders; this tax return of capital may differ from the return of capital calculated with reference to net investment income for financial reporting purposes.
- (3) Includes the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of a period end or transaction date.
- (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 the Company's DRIP. Total return based on market value does not reflect brokerage commissions. Return calculations are not annualized.
- (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. Return calculations are not annualized.
- (6) Ratios are annualized. Incentive fees included within the ratio are not annualized.
- (7) The following is a schedule of supplemental ratios for the three months ended March 31, 2017 and 2016. These ratios have been annualized unless otherwise noted.

	March 31, 2017	March 31, 2016
Ratio of interest and other debt financing expenses to average net assets	3.39%	3.65%
Ratio of expenses (without incentive fees) to average net assets	7.90%	8.67%
Ratio of incentive fees, to average net assets (not annualized)	0.54%	0.93%

- (8) Ratios are not annualized.

ITEM 2. 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 quarterly report on Form 10-Q (the “Quarterly Report”).

FORWARD-LOOKING STATEMENTS

This Quarterly Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains statements that constitute forward-looking statements, which relate to future events or our future performance or future financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our company, our industry, our beliefs and our assumptions. The forward-looking statements contained in this Quarterly Report involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of increased competition;
- the impact of fluctuations in interest rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the ability of our Monroe Capital BDC Advisors, LLC (“MC Advisors”) to locate suitable investments for us and to monitor our investments;
and
- the impact of future legislation and regulation on our business and our portfolio companies.

We use words such as “anticipates,” “believes,” “expects,” “intends,” “seeks,” “plans,” “estimates,” “targets,” “expects” and similar expressions to identify forward-looking statements. The forward looking statements contained in this Quarterly Report involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Part I—Item 1A. Risk Factors” in our Annual Report and “Part II—Item 1A. Risk Factors” in this Quarterly Report.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report should not be regarded as a representation by us that our plans and objectives will be achieved.

We have based the forward-looking statements included in this Quarterly Report on information available to us on the date of this Quarterly Report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this Quarterly Report, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

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 March 31, 2017, our portfolio included approximately 71.8% senior secured debt, 12.1% unitranche secured debt, 10.1% junior secured debt and 6.0% equity securities, compared to December 31, 2016, when our portfolio included approximately 66.7% senior secured debt, 12.5% unitranche secured 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 March 31, 2017, MRCC SBIC had \$50.0 million in leverageable capital and \$60.0 million in SBA-guaranteed debentures outstanding. See “SBA Debentures” below for more information.

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 and secured 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 and secured borrowings within net change in unrealized appreciation (depreciation) on investments and net change in unrealized (appreciation) depreciation on secured borrowings, respectively, in the consolidated statements of operations.

Portfolio and Investment Activity

During the three months ended March 31, 2017, we invested \$27.3 million in two new portfolio companies and \$14.2 million in 14 existing portfolio companies and had \$33.8 million in aggregate amount of sales and principal repayments, resulting in net investments of \$7.7 million for the period.

During the three months ended March 31, 2016, we invested \$4.9 million in one new portfolio company and \$21.4 million in 13 existing portfolio companies and had \$26.8 million in aggregate amount of sales and principal repayments, resulting in net investments of \$0.5 million for the period.

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

	March 31, 2017			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual	Weighted Average Annualized
			Coupon Yield (1)	Effective Yield (2)
Senior secured loans	\$ 300,223	71.8%	9.4%	9.4%
Unitranche loans	50,465	12.1	11.0	11.5
Junior secured loans	42,260	10.1	9.5	9.5
Equity securities	25,201	6.0	10.8	10.8
Total	\$ 418,149	100.0%	9.6%	9.7%

	December 31, 2016			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual	Weighted Average Annualized
			Coupon Yield (1)	Effective Yield (1)
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 months ended March 31, 2017 and the portfolio mix continued to shift toward senior secured loans.

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

	March 31, 2017		December 31, 2016	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
	Aerospace & Defense	\$ 10,784	2.6%	\$ 10,601
Automotive	5,086	1.2	7,514	1.8
Banking, Finance, Insurance & Real Estate	54,797	13.1	37,130	9.0
Beverage, Food & Tobacco	17,518	4.2	16,794	4.1
Chemicals, Plastics & Rubber	—	—	4,040	1.0
Construction & Building	18,646	4.5	18,602	4.5
Consumer Goods: Durable	3,579	0.8	3,620	0.9
Consumer Goods: Non-Durable	20,159	4.8	32,000	7.7
Containers, Packaging & Glass	3,440	0.8	3,663	0.9
Energy: Oil & Gas	7,642	1.8	7,803	1.9
Environmental Industries	3,721	0.9	3,768	0.9
Healthcare & Pharmaceuticals	56,360	13.5	56,435	13.7
High Tech Industries	14,848	3.5	18,899	4.6
Hotels, Gaming & Leisure	38,570	9.2	38,010	9.2
Media: Advertising, Printing & Publishing	12,086	2.9	11,742	2.8
Media: Broadcasting & Subscription	17,961	4.3	18,046	4.4
Media: Diversified & Production	4,937	1.2	4,938	1.2
Metals & Mining	5,363	1.3	5,268	1.3
Retail	38,782	9.3	38,147	9.2
Services: Business	38,719	9.3	40,164	9.7
Services: Consumer	21,163	5.1	24,807	6.0

Telecommunications	3,498	0.8	3,430	0.8
Utilities: Electric	2,872	0.7	2,999	0.7
Wholesale	17,618	4.2	4,500	1.1
Total	<u>\$ 418,149</u>	<u>100.0%</u>	<u>\$ 412,920</u>	<u>100.0%</u>

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.

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.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of March 31, 2017 (dollars in thousands):

Investment Performance Rating	Investments at Fair Value	Percentage of Total Investments
1	\$ —	—%
2	350,450	83.8
3	52,548	12.6
4	15,151	3.6
5	—	—
Total	<u>\$ 418,149</u>	<u>100.0%</u>

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	<u>\$ 412,920</u>	<u>100.0%</u>

Results of Operations

Operating results were as follows (dollars in thousands):

	Three months ended March 31,	
	2017	2016
Total investment income	\$ 12,006	\$ 11,539
Total expenses	5,972	5,752
Net investment income	6,034	5,787
Net realized gain (loss) on investments	167	587
Net change in unrealized appreciation (depreciation) on investments	(3,631)	1,542
Net change in unrealized (appreciation) depreciation on secured borrowings	(1)	28
Net increase (decrease) in net assets resulting from operations	<u>\$ 2,569</u>	<u>\$ 7,944</u>

Investment Income

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

	Three months ended March 31,	
	2017	2016
Interest income	\$ 10,388	\$ 8,604
Dividend income	250	1,862
Fee income	328	331
Prepayment gain (loss)	652	377
Accretion of discounts and amortization of premium	388	365
Total investment income	<u>\$ 12,006</u>	<u>\$ 11,539</u>

The increase in investment income of \$0.5 million during the three months ended March 31, 2017, as compared to the three months ended March 31, 2016, is primarily due to increases in average outstanding loan balances and an increase in prepayment activity, partially offset by decreases in dividend income. The decrease in dividend income during the three months ended March 31, 2017, as compared to the prior year period, is driven by a \$1.6 million decrease in dividend income from our investment in Rockdale Blackhawk, LLC ("Rockdale"). While we believe it is more likely than not that we will receive future equity distributions from this investment in Rockdale, 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 March 31,	
	2017	2016
Interest and other debt financing expenses	\$ 2,010	\$ 1,691
Base management fees	1,805	1,500
Incentive fees	1,290	1,740
Professional fees	291	207
Administrative service fees	330	328
General and administrative expenses	209	164
Excise taxes	—	87
Directors fees	37	35
Total operating expenses	<u>\$ 5,972</u>	<u>\$ 5,752</u>

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

	Three months ended March 31,	
	2017	2016
Interest expense – revolving credit facility	\$ 1,345	\$ 1,128
Interest expense – SBA debentures	406	326
Amortization of deferred financing costs	231	182
Interest expense – secured borrowings	21	37
Other	7	18
Total interest and other debt financing expenses	<u>\$ 2,010</u>	<u>\$ 1,691</u>

The increase in expenses of \$0.2 million during the three months ended March 31, 2017, as compared to the three months ended March 31, 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 part two incentive fees (based on net realized and unrealized gains and losses) during the three months ended March 31, 2017.

Net Realized Gain (Loss) on Investments

During the three months ended March 31, 2017 and 2016, we had sales of investments of \$2.1 million and \$0.6 million resulting in \$0.2 million and \$0.6 million of net realized gains (losses), respectively.

Net Change in Unrealized Appreciation (Depreciation) on Investments and Secured Borrowings

For the three months ended March 31, 2017 and 2016, our investments had (\$3.6) million and \$1.5 million of net change in unrealized appreciation (depreciation), respectively. For the three months ended March 31, 2017 and 2016, our secured borrowings had (\$1) thousand and \$28 thousand of net change in unrealized (appreciation) depreciation, respectively.

Net Increase (Decrease) in Net Assets Resulting from Operations

For the three months ended March 31, 2017 and 2016, the net increase in net assets from operations was \$2.6 million and \$7.9 million, respectively. Based on the weighted average shares of common stock outstanding for the three months ended March 31, 2017 and 2016, our per share net increase in net assets resulting from operations was \$0.15 and \$0.61, respectively. The \$5.3 million decrease during the three months ended March 31, 2017, as compared to three months ended March 31, 2016, is primarily the result of net unrealized mark-to-market losses on investments in the portfolio during the three months ended March 31, 2017 as compared to net unrealized mark-to-market gains on investments in the portfolio during the three months ended March 31, 2016. This decline was partially offset by an increase in net investment income.

Liquidity and Capital Resources

As of March 31, 2017, we had \$5.5 million in cash, \$10.6 million in cash at MRCC SBIC, \$136.0 million of total debt outstanding on our revolving credit facility and \$60.0 million in outstanding SBA-guaranteed debentures. We had \$64.0 million available for additional borrowings on our revolving credit facility and \$55.0 million in available SBA-guaranteed debentures. See “Borrowings” below for additional information.

Cash Flows

For the three months ended March 31, 2017 and 2016, we experienced a net increase in cash and restricted cash of \$7.7 million and \$6.6 million, respectively. For the three months ended March 31, 2017, operating activities used \$3.4 million, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. For the three months ended March 31, 2016, operating activities provided \$0.4 million, primarily as a result of net income from operations, partially offset by net cash outflows for the settlement of open trades. During the three months ended March 31, 2017, we generated \$11.1 million from financing activities primarily as a result of net borrowings on our revolving credit facility and SBA debentures, partially offset by distributions to stockholders. During the three months ended March 31, 2016, we generated \$6.2 from financing activities primarily net borrowings on our revolving credit facility, partially offset by 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. As of March 31, 2017 and December 31, 2016, we had 16,711,686 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., an affiliate of MLV. During the three months ended March 31, 2017, we sold 113,600 shares at an average price of \$15.70 per share for gross proceeds of \$1,784 under the ATM program. Aggregate underwriters’ discounts and commissions were \$27 and offering costs were \$21, resulting in net proceeds of approximately \$1,736. There were no stock issuances during the three months ended March 31, 2016.

Borrowings

Revolving Credit Facility: As of March 31, 2017 and December 31, 2016, we had \$136.0 million and \$129.0 million outstanding, respectively, under our revolving credit facility with ING Capital LLC, as agent, to finance the purchase of our assets. As of March 31, 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 upsize 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 our 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 3.00%, with a further step-down to LIBOR plus 2.75% when net worth (excluding investments in MRCC SBIC) exceeds \$225.0 million 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%. 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 March 31, 2017 and December 31, 2016, the outstanding borrowings were accruing at a weighted average interest rate of 3.9% and 3.8%, respectively. The weighted average interest rate of our revolving credit facility borrowings (excluding debt issuance costs) for the three months ended March 31, 2017 and 2016 was 4.1% and 3.5%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three months ended March 31, 2017 and 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 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 March 31, 2017, MRCC SBIC had \$50.0 million in leverageable capital and \$60.0 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. In order to gain access to the entirety of the \$55.0 million in remaining available debentures, we would be required to contribute to MRCC SBIC an additional \$7.6 million in leverageable capital. We made the additional contribution of \$7.6 million in leverageable capital to MRCC SBIC subsequent to March 31, 2017.

As of March 31, 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
Total		\$ 60,000

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% ⁽¹⁾	9,200
March 2027	2.0% ⁽¹⁾	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 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 March 31, 2017, secured borrowings at fair value totaled \$1.3 million and the fair value of the loans that are associated with these secured borrowings was \$5.9 million. 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 three months ended March 31, 2017. During the three months ended March 31, 2017 and 2016, repayments on secured borrowings totaled zero and \$0.2 million, respectively. The weighted average interest rate on our secured borrowings was approximately 6.5% and 6.3% as of March 31, 2017 and December 31, 2016, respectively.

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 months ended March 31, 2017 and 2016, totaled \$5.8 million (\$0.35 per share) and \$4.6 million (\$0.35 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 March 31, 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.

Commitments and Contingencies and Off-Balance Sheet Arrangements

Commitments and Contingencies

As of March 31, 2017 and December 31, 2016, we had \$35.0 million and \$37.7 million in outstanding commitments to fund investments under undrawn revolving, 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.

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.

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 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 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 Appreciation or Depreciation

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 appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized. 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 (appreciation) depreciation on secured borrowings in the consolidated statements of operations.

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 20.0% 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 March 31, 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 March 31, 2016, we accrued \$0.2 million in capital gains incentive fees.

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 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.

ITEM 3. 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.

Assuming that the consolidated statement of financial condition as of March 31, 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.

<u>Change in Interest Rates</u>	<u>Increase (decrease) in interest income</u>	<u>Increase (decrease) in interest expense</u>	<u>Net increase (decrease) in net investment income</u>
		(in thousands)	
Down 25 basis points	\$ (462)	\$ (343)	\$ (119)
Up 100 basis points	3,459	1,373	2,086
Up 200 basis points	7,274	2,746	4,528
Up 300 basis points	11,090	4,120	6,970

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.

ITEM 4. CONTROLS AND PROCEDURES

In accordance with Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that, at the end of the period covered by our Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

No change occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor our investment adviser are currently subject to any material legal proceedings.

Item 1A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 9, 2017

By /s/ Theodore L. Koenig
Theodore L. Koenig
Chairman, Chief Executive Officer and Director
(Principal Executive Officer)
Monroe Capital Corporation

Date: May 9, 2017

By /s/ Aaron D. Peck
Aaron D. Peck
Chief Financial Officer, Chief Investment Officer and Director
(Principal Financial and Accounting Officer)
Monroe Capital Corporation

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Theodore L. Koenig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monroe Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ Theodore L. Koenig

Theodore L. Koenig
Chairman, Chief Executive Officer and Director
(Principal Executive Officer)
Monroe Capital Corporation

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron D. Peck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monroe Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ Aaron D. Peck

Aaron D. Peck

Chief Financial Officer, Chief Investment Officer and Director

(Principal Financial and Accounting Officer)

Monroe Capital Corporation

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Monroe Capital Corporation (the "Company") on Form 10-Q for the quarterly period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Theodore L. Koenig, Chief Executive Officer of the Company, and I, Aaron D. Peck, Chief Financial Officer of the Company, each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2017

/s/ Theodore L. Koenig

Theodore L. Koenig
Chairman, Chief Executive Officer and Director
(Principal Executive Officer)
Monroe Capital Corporation

/s/ Aaron D. Peck

Aaron D. Peck
Chief Financial Officer, Chief Investment Officer and Director
(Principal Financial and Accounting Officer)
Monroe Capital Corporation
