BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST INC
Form NSAR-B
December 31, 2007

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TITLE       TREASURER
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; text-transform: none; padding-top: 3pt; padding-right: 0pt; padding-left: 0pt; padding-bottom: 3pt; margin-top: 0pt; margin-right: 0pt; margin-left: 0pt; margin-bottom: 0pt"> reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults; and

modify any other material aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect.

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Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series.
If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.
The holders of a majority in principal amount of a series of debt securities issued under the indenture may waive our compliance with some of our covenants applicable to that series.

Further Details Concerning Voting

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under Defeasance Full Defeasance.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under applicable law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called covenant defeasance. In that event, the holder of debt securities would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay debt securities of the holders. In order to achieve covenant defeasance, the following conditions must be satisfied:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their due dates.

We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing holders to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity.
Defeasance must not result in a breach or violation of, or result in a default under, the indenture or any of our other material agreements or instruments.
No default or event of default with respect to the debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.
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We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act and a legal opinion and officers certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, a holder can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, a holder may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called full defeasance) if the following conditions are satisfied in order for a holder to be repaid:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing a holder to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid the holder, his or her respective share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for the holder s debt securities and the holder would recognize gain or loss on the debt securities at the time of the deposit.

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act and a legal opinion and officers certificate stating that all conditions precedent to defeasance have been complied with.

Defeasance must not result in a breach or violation of, or constitute a default under, the indenture or any of our other material agreements or instruments.

No default or event of default with respect to the debt securities shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

If we ever did accomplish full defeasance, as described above, a holder would have to rely solely on the trust deposit for repayment of the debt securities. A holder could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent.

Resignation of Trustee

The trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to those series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions   Subordination and Senior Indebtedness

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to a holder to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will

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not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness, as defined below, has been made or duly provided for in money or money s worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities, and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness outstanding as of a recent date.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

Book-Entry Procedures

Unless otherwise specified in the applicable prospectus supplement, the Depository Trust Company, or DTC, will act as securities depositary for the debt securities. The debt securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the debt securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC s participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

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companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC.

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor s Ratings Services highest rating: AAA. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC s records. The ownership interest of each actual purchaser of each security, or the Beneficial Owner, is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the debt securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securities; DTC s records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the debt securities within an issue are being redeemed, DTC s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and interest payments on the debt securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC s practice is to credit Direct Participants accounts upon DTC s receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by giving reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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DESCRIPTION OF OUR WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, shares of our preferred stock or debt securities. Such warrants may be issued independently or together with shares of common or preferred stock or a specified principal amount of debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
- if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;
- in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;
- in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;
- the date on which the right to exercise such warrants shall commence and the date on which such right will expire;
- whether such warrants will be issued in registered form or bearer form;
- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the date on and after which such warrants and the related securities will be separately transferable;
- information with respect to book-entry procedures, if any;
- the terms of the securities issuable upon exercise of the warrants;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

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Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that: (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in our best interests and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25.0% of our outstanding voting securities.

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REGULATION

We are a business development company under the 1940 Act and have elected to be treated as a RIC under the Code. A BDC must be organized in the United States for the purpose of investing in or lending to primarily private companies and making significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67% or more of such company s voting securities present at a meeting if more than 50% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, we will be required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC. Furthermore, as a BDC, we will be prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person s office.

As a BDC, we are generally required to meet an asset coverage ratio, defined under the 1940 Act as the ratio of our gross assets (less all liabilities and indebtedness not represented by senior securities) to our outstanding senior securities, of at least 200% after each issuance of senior securities (subject to decrease to 150%, as set forth below). On October 2, 2014, we received an exemptive order from the SEC granting relief from the asset coverage requirements for certain indebtedness issued by our wholly owned SBIC subsidiary. We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC.

On March 23, 2018, the SBCAA was signed into law. Under the legislation, a business development company is allowed to increase its leverage capacity from an asset coverage ratio of 200% to an asset coverage ratio of 150% if stockholders representing at least a majority of the votes cast, when quorum is met, approve a proposal to do so. If a business development company receives stockholder approval, it would be allowed to increase its leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of the business development company s independent directors to approve an increase in its leverage capacity, and such approval would become effective after one year. On March 27, 2018, our board of directors unanimously approved the application of the modified asset coverage requirements and recommended the submission of a proposal for stockholders to vote in favor of us to immediately become subject to the modified asset coverage requirements.

We are generally not able to issue and sell our common stock at a price below net asset value per share. See Risk Factors Risks Relating to Our Business and Structure Regulations governing our operation as a business development company affect our ability to and the way in which we raise additional capital. 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 of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve our policy and practice of making such sales. In any such case, under such circumstances, the price at which our common stock to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such common stock. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we are generally limited in our ability to invest in any portfolio company in which our investment adviser or any of its affiliates currently has an investment or to make any co-investments with our

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investment adviser or its affiliates without an exemptive order from the SEC, subject to certain exceptions. On October 15, 2014, we received an exemptive order from the SEC granting relief to enter into such co-investment transactions pursuant to certain conditions. See Other below.

We will be periodically examined by the SEC for compliance with the 1940 Act.

As a BDC, we are subject to certain risks and uncertainties. See Risk Factors Risks Relating to Our Business and Structure.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company s total assets. The principal categories of qualifying assets relevant to our business are the following:

(a) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer that:

is organized under the laws of, and has its principal place of business in, the United States;

is not an investment company (other than a small business investment company wholly-owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

satisfies either of the following:

does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a $250 million market capitalization maximum; or

is controlled by a business development company or a group of companies including a business development company, and such business development company actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result, the business development company has an affiliated person who is a director of the eligible portfolio company.

(b) Securities of any eligible portfolio company which we control.

(c) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident to such a private transaction, if the issuer is in bankruptcy and subject to reorganization, or, if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(d) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity securities of the eligible portfolio company.

(e) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.

(f) Cash, cash equivalents, U.S. government securities or high-quality debt securities that mature in one year or less from the date of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area. To the extent we invest in the securities of companies domiciled in or with their principal places

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of business outside of the United States, these investments will not be qualifying assets. In accordance with Section 55(a) of the 1940 Act, we cannot invest more than 30% of our assets in non-qualifying assets.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, a business development company must either control the issuer of securities or must offer to make available to the issuer of the securities significant managerial assistance. However, when a business development company purchases securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the business development company, through its directors, officers, employees or agents offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. MC Advisors or its affiliates will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets or temporary investments. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as the agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for federal income tax purposes. Accordingly, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. MC Advisors will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance (which asset coverage requirement may be lowered to 150% in accordance with law). In addition, while any Senior Securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. We consolidate our financial results with all of our wholly-owned subsidiaries, including MRCC SBIC, for financial reporting purposes and measure our compliance with the leverage test applicable to business development companies under the 1940 Act on a consolidated basis. On October 2, 2014, we received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiaries from our asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200% (or 150%, if lowered in accordance with law). This provides us with increased investment flexibility but also increases our risks related to leverage.

On March 27, 2018, our board of directors unanimously approved the application of the modified asset coverage requirements described above. As a result, our asset coverage requirements for senior securities will be changed from 200% to 150%, effective March 27, 2019. On March 27, 2018, our board of directors also recommended the submission of a proposal for stockholders to vote in favor of us to immediately become subject to a minimum asset coverage ratio of at least 150%, permitting us to double the amount of debt we incur earlier than the current effective date of March 27, 2019. If this proposal is approved by stockholders at our annual stockholder meeting, we would become subject to an asset coverage ratio of at least 150% the day after such meeting instead of on March 27, 2019.

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For a discussion of the risks associated with leverage, see Risk Factors Risks Relating to Our Business and Structure Regulations governing our operation as a business development company affect our ability to and the way in which we raise additional capital, Risk Factors Risks Relating to Our Business and Structure We maintain a revolving credit facility and may use other borrowed funds to make investments or fund our business operations, which exposes us to risks typically associated with leverage and increases the risk of investing in us and Risk Factors Risks Relating to Our Business and Structure Recent legislation may allow us to incur additional leverage, which could increase the risk of investing in us.

Codes of Ethics

We and MC Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code s requirements. You may access our code of ethics on our website at *www.monroebdc.com*. The date and substance of amendments to the code, if any, are noted on the cover page of the code of ethics. You may also read and copy the code of ethics at the SEC s Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC s website at *www.sec.gov*. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to MC Advisors. The proxy voting policies and procedures of MC Advisors are set out below. The guidelines are reviewed periodically by MC Advisors and our directors who are not interested persons, and, accordingly, are subject to change.

Introduction

As an investment advisor registered under the Advisers Act, MC Advisors has a fiduciary duty to act solely in our best interests. As part of this duty, MC Advisors recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

These policies and procedures for voting proxies for its investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

MC Advisors votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. MC Advisors reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases MC Advisors will vote in favor of proposals that MC Advisors believes are likely to increase the value of the portfolio securities we hold. Although MC Advisors will generally vote against proposals that may have a negative effect on our portfolio securities, MC Advisors may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by those senior officers who are responsible for monitoring each of our investments. To ensure that MC Advisors vote is not the product of a conflict of interest, MC Advisors requires that (a) anyone involved in the decision-making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision-making process or vote administration are prohibited from revealing how MC Advisors intends to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, MC Advisors will disclose such conflicts to us, including those directors who are not interested persons, and may request guidance from us on how to vote such proxies.

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Proxy Voting Records

You may obtain information about how MC Advisors voted proxies for Monroe Capital Corporation by making a written request for proxy voting information to: Monroe Capital Corporation, 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, Attention: Investor Relations, or by calling Monroe Capital Corporation at (312) 258-8300.

Privacy Principles

We are committed to maintaining the privacy of our stockholders and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to nonpublic personal information about our stockholders to employees of MC Advisors and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

Compliance Policies and Procedures

We and our investment adviser have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our chief compliance officer is responsible for administering the policies and procedures.

NASDAQ Global Select Market Requirements

We have adopted certain policies and procedures intended to comply with the NASDAQ Global Select Market s corporate governance rules. We will continue to monitor our compliance with these and all future listing standards that are approved by the SEC and will take actions necessary to ensure that we are in compliance therewith.

Other

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person s office.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company prohibition on transactions with affiliates to prohibit all joint transactions between entities that share a common investment advisor. The staff of the SEC has granted no-action relief permitting purchases of a single class of privately placed securities provided that the advisor negotiates no term other than price and certain other conditions are met. Except in certain circumstances, we will be unable to invest in any issuer in which another fund advised by MC Advisors has previously invested. On October 15, 2014, we were granted an exemptive relief order that permits us, MC Advisors, MC Management, MRCC SBIC and other affiliates of Monroe Capital to engage in co-investment transactions that would otherwise be prohibited under the 1940 Act. Subject to certain conditions, we are now allowed to participate in negotiated investments with certain affiliated investment funds, providing our stockholders with access to a broader array of investment opportunities.

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Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of regulatory requirements on companies with a class of securities registered under the Exchange Act and their insiders. Many of these requirements affect us. For example:

pursuant to Rule 13a-14 under the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and
pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under such Act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

Small Business Administration Regulations

MRCC SBIC has received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs can provide financing in the form of debt and/or equity securities and provide consulting and advisory services to eligible small businesses. MRCC SBIC will typically invest in senior subordinated debt, acquire warrants and/or make other equity investments in qualifying small businesses.

Under current SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $19.5 million and have average annual net income after U.S. federal income taxes not exceeding $6.5 million (average net income to be computed without benefit of any carryover losses) for the two most recent fiscal years. In addition, an SBIC must devote at least 25.0% of its investment activity to smaller concerns as defined by the SBA. A smaller concern generally includes businesses (including their affiliates) that have a tangible net worth not exceeding $6.0 million and have average annual net income after U.S. federal income taxes not exceeding $2.0 million (average net income to be computed without benefit of any net carryover losses) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the industry in which the business (including its affiliates) is engaged and are based on the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow-on investments in the company, regardless of the size of the portfolio company at the time of the follow-on investment, up to the time of the portfolio company s initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the United States, to businesses engaged in a few prohibited industries, and to certain passive (non-operating) companies. In addition, under SBA regulations, without prior SBA approval, an SBIC may not invest more than 30.0% of its regulatory capital in any one portfolio company (assuming the SBIC intends to draw leverage equal to twice its regulatory capital).

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The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). SBA regulations allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA s prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. A change of control is any event that would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

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 were approved for $75.0 million in additional SBA-guaranteed debentures for MRCC SBIC, for a total of $115.0 million in available debentures.

On October 2, 2014, we received exemptive relief from the SEC to permit us to exclude the debt of MRCC SBIC guaranteed by the SBA from our asset coverage test under the 1940 Act. The exemptive relief provides us with increased flexibility under the asset coverage test by permitting us to borrow, through MRCC SBIC, more than we would otherwise be able to absent the receipt of this exemptive relief.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBA regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the United States government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA s staff to determine their compliance with SBA regulations and are periodically required to file certain forms with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

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CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held by U.S. Bank National Association pursuant to a custody agreement. The principal business address of U.S. Bank National Association is Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110, telephone: (617) 603-6538. American Stock Transfer & Trust Company, LLC serves as our transfer agent, distribution paying agent and registrar. The principal business address of American Stock Transfer & Trust Company, LLC is 6201 15th Avenue, Brooklyn, New York 11219, telephone: (718) 921-8200.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will acquire and dispose of many of our investments in privately negotiated transactions, many of the transactions that we engage in will not require the use of brokers or the payment of brokerage commissions. Subject to policies established by our board of directors, MC Advisors is primarily responsible for selecting brokers and dealers to execute transactions with respect to the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. MC Advisors does not expect to execute transactions through any particular broker or dealer but will seek to obtain the best net results for us under the circumstances, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm s risk and skill in positioning blocks of securities. MC Advisors generally seeks reasonably competitive trade execution costs but will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements and consistent with Section 28(e) of the Exchange Act, MC Advisors may select a broker based upon brokerage or research services provided to MC Advisors and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if MC Advisors determines in good faith that such commission is reasonable in relation to the services provided.

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PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more offerings or series, up to $300,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. We may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds, if any, we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents or underwriters compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the net asset value per share of our common stock at the time of the offering except (1) in connection with a rights offering to our existing stockholders, (2) offerings completed within one year of the receipt of consent of the majority of our common stockholders or (3) under such circumstances as the SEC may permit. The price at which securities may be distributed may represent a discount from prevailing market prices.

On June 21, 2017, our common stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of twelve months subject to certain conditions. On April 27, 2018, we filed a definitive proxy statement for our annual meeting of stockholders, to be held on June 20, 2018. The definitive proxy statement sets forth a proposal to be voted upon at the annual meeting that, if approved by stockholders, would have the effect of extending this approval to the one-year anniversary of the date of the annual meeting. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Our common stockholders will indirectly bear such fees and expenses as well as any other fees and expenses incurred by us in connection with any sale of securities. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to be received by any member of the Financial Industry Regulatory

Authority or independent broker-dealer will not be greater than 8% of the gross proceeds of the sale of securities offered pursuant to this prospectus and any applicable prospectus supplement. We may also reimburse the underwriter or agent for certain fees and legal expenses incurred by it.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase

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the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on The Nasdaq Global Select Market may engage in passive market making transactions in our common stock on The Nasdaq Global Select Market in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker s bid, however, the passive market maker s bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on The Nasdaq Global Select Market. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of shares of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

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In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for us by Nelson Mullins Riley & Scarborough LLP, Washington, D.C. Nelson Mullins Riley & Scarborough LLP also represents MC Advisors.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements, the effectiveness of internal control over financial reporting and the related senior securities table appearing in the Annual Report on Form 10-K and in this Prospectus and Registration Statement have been audited by RSM US LLP, an independent registered public accounting firm located at One South Wacker Drive, Suite 800, Chicago, IL 60606, as stated in their reports appearing elsewhere herein, and are included in reliance upon such reports and upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

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

We file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We maintain a website at *www.monroebdc.com* and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus, and you should not consider information on our website to be part of this prospectus. You may also obtain such information by contacting us in writing at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at *www.sec.gov*. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Section, 100 F Street, NE, Washington, D.C. 20549.

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(in thousands, except per share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	$426,058	$425,747
Non-controlled affiliate company investments	53,643	58,751
Controlled affiliate company investments	16,333	9,640
Total investments, at fair value (amortized cost of: $516,121 and $507,580, respectively)	496,034	494,138
Cash	3,070	4,332
Restricted cash	7,117	2,867
Interest receivable	5,756	5,335
Other assets	727	760
Total assets	512,704	507,432
LIABILITIES		
Debt:		
Revolving credit facility	125,584	117,092
SBA debentures payable	112,800	109,520
Total debt	238,384	226,612
Less: Unamortized deferred financing costs	(4,468)	(4,670)
Total debt, less unamortized deferred financing costs	233,916	221,942
Interest payable	795	1,535
Management fees payable	2,163	2,064
Incentive fees payable	761	1,157
Directors fees payable	37	
Accounts payable and accrued expenses	2,027	2,035
Total liabilities	239,699	228,733
Net assets	$273,005	$278,699
Commitments and contingencies (See Note 10)		
ANALYSIS OF NET ASSETS		
Common stock, $0.001 par value, 100,000 shares authorized, 20,240 and 20,240 shares issued and outstanding, respectively	$20	$20
Capital in excess of par value	286,141	286,141
Undistributed net investment income (accumulated distributions in excess of net investment income)	8,088	6,707

Accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions	(360)	(372)
Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(20,884)	(13,797)
Total net assets	$ 273,005	$ 278,699
Net asset value per share	$ 13.49	$ 13.77

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) (in thousands, except per share data)

	Three months ended March 31, 2018	2017
Investment income:		
Interest income:		
Non-controlled/non-affiliate company investments	$11,963	$10,055
Non-controlled affiliate company investments	1,828	1,196
Controlled affiliate company investments		177
Total interest income	13,791	11,428
Dividend income:		
Non-controlled/non-affiliate company investments	260	250
Controlled affiliate company investments	175	
Total dividend income	435	250
Fee income:		
Non-controlled/non-affiliate company investments	724	328
Total fee income	724	328
Total investment income	14,950	12,006
Operating expenses:		
Interest and other debt financing expenses	2,706	2,010
Base management fees	2,163	1,805
Incentive fees	761	1,290
Professional fees	307	291
Administrative service fees	324	330
General and administrative expenses	176	209
Excise taxes	11	
Directors fees	37	37
Total expenses	6,485	5,972
Net investment income	8,465	6,034
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings:		
Net realized gain (loss):		
Non-controlled/non-affiliate company investments		167
Foreign currency transactions	12	
Net realized gain (loss)	12	167
Net change in unrealized gain (loss):		
Non-controlled/non-affiliate company investments	(165)	192
Non-controlled affiliate company investments	(6,923)	(2,164)

Controlled affiliate company investments	443	(1,659)
Secured borrowings		(1)
Foreign currency borrowings	(442)	
Net change in unrealized gain (loss)	(7,087)	(3,632)
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings	(7,075)	(3,465)
Net increase (decrease) in net assets resulting from operations	$1,390	$2,569
Per common share data:		
Net investment income per share basic and diluted	$0.42	$0.36
Net increase (decrease) in net assets resulting from operations per share basic and diluted	$0.07	$0.15
Weighted average common shares outstanding basic and diluted	20,240	16,594

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MONROE CAPITAL CORPORATION

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

	Common Stock Number of shares	Common Stock Par value	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, secured borrowings and foreign currency transactions	Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	Total net assets
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	16,712	$17	$235,516	$7,268	$754	$(3,949)	$239,606
Balances at December 31, 2017	20,240	$20	$286,141	$6,707	$(372)	$(13,797)	$278,699
Net increase (decrease) in net assets resulting from operations				8,465	12	(7,087)	1,390
Distributions to stockholders:							
Distributions from net investment income				(7,084)			(7,084)
Balances at March 31, 2018	20,240	$20	$286,141	$8,088	$(360)	$(20,884)	$273,005

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MONROE CAPITAL CORPORATION

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

	Three months ended March 31, 2018	2017
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	$1,390	$2,569
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized (gain) loss on investments	6,645	3,631
Net change in unrealized (gain) loss on secured borrowings		1
Net change in unrealized (gain) loss on foreign currency borrowings	442	
Net realized (gain) loss on investments		(167)
Net realized (gain) on foreign currency transactions	(12)	
Payment-in-kind interest income	(329)	(613)
Payment-in-kind dividend income	(260)	
Net accretion of discounts and amortization of premiums	(1,032)	(388)
Proceeds from principal payments and sales of investments	25,559	33,844
Purchases of investments	(32,479)	(41,536)
Amortization of deferred financing costs	281	231
Changes in operating assets and liabilities:		
Interest receivable	(421)	(413)
Other assets	33	(803)
Interest payable	(740)	85
Management fees payable	99	56
Incentive fees payable	(396)	243
Directors fees payable	37	37
Accounts payable and accrued expenses	(8)	(203)
Net cash provided by (used in) operating activities	(1,191)	(3,426)
Cash flows from financing activities:		
Borrowings on revolving credit facility	24,800	39,500
Repayments of revolving credit facility	(16,750)	(32,500)
SBA debentures borrowings	3,280	8,500
Payments of deferred financing costs	(79)	(554)
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 $0, and $254, respectively	(7,084)	(5,549)
Net cash provided by (used in) financing activities	4,167	11,133
Net increase (decrease) in Cash and Restricted Cash	2,976	7,707

Effect of foreign currency exchange rates	12	
Cash and Restricted Cash, beginning of period[(1)]	7,199	8,331
Cash and Restricted Cash, end of period[(2)]	$10,187	$16,038
Supplemental disclosure of cash flow information:		
Cash interest paid during the period	$3,145	$1,639
Cash paid for excise taxes during the period	$91	$495

(1) Represents cash and restricted cash of $4,332 and $2,867, respectively, from the consolidated statement of assets and liabilities as of December 31, 2017. 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.

(2) Represents cash and restricted cash of $3,070 and $7,117, respectively, from the consolidated statement of assets and liabilities as of March 31, 2018. 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.

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Portfolio Company(a)	Spread Above Index(b)	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value(c)	% of Net Assets(d)
Non-Controlled/Non-Affiliate Company Investments							
Senior Secured Loans							
Banking, Finance, Insurance & Real Estate							
Echelon Funding I, LLC (Delayed Draw)(e)(f)(g)	L+10.25 %	11.91 %	2/24/2021	15,750	$ 14,454	$ 14,681	5.4 %
HFZ Capital Group, LLC(e)	L+10.00 %	11.69 %	10/20/2019	18,000	17,666	18,153	6.7 %
Liftforward SPV II, LLC(e)(f)	L+10.75 %	12.63 %	11/10/2020	10,000	4,215	4,317	1.6 %
PKS Holdings, LLC(e)	L+9.50 %	11.16 %	11/30/2022	1,789	1,631	1,752	0.6 %
PKS Holdings, LLC (Revolver)(e)(f)	L+9.50 %	11.16 %	11/30/2022	80			0.0 %
				45,619	37,966	38,903	14.3 %
Beverage, Food & Tobacco							
All Holding Company, LLC(h)	L+7.00 %	8.88 %	11/15/2021	5,294	5,216	5,225	1.9 %
California Pizza Kitchen, Inc.	L+6.00 %	7.88 %	8/23/2022	6,895	6,835	6,771	2.5 %
				12,189	12,051	11,996	4.4 %
Construction & Building							
Cali Bamboo, LLC	L+8.00 %	9.88 %	7/10/2020	5,305	5,257	5,305	1.9 %
Cali Bamboo, LLC (Revolver)(f)	L+8.00 %	9.88 %	7/10/2020	2,165	1,602	1,602	0.6 %
Cornerstone Detention Products, Inc.(i)	L+11.83 %	10.38% Cash/ 3.33% PIK (j)	4/8/2019	3,477	3,461	3,470	1.3 %
Cornerstone Detention Products, Inc. (Revolver)(f)	L+8.50 %	10.38 %	4/8/2019	1,000	200	200	0.1 %
TRP Construction Group, LLC(h)	L+6.50 %	8.38 %	10/5/2022	7,980	7,833	7,996	2.9 %
TRP Construction Group, LLC (Revolver)(f)	L+6.50 %	8.38 %	10/5/2022	2,134			0.0 %
				22,061	18,353	18,573	6.8 %
Consumer Goods: Durable							
Parterre Flooring & Surface Systems, LLC(h)	L+7.25 %	9.13 %	8/22/2022	11,700	11,489	11,693	4.3 %
Parterre Flooring & Surface Systems, LLC (Revolver)(f)	L+7.25 %	9.13 %	8/22/2022	2,400			0.0 %
				14,100	11,489	11,693	4.3 %
Consumer Goods: Non-Durable							
Bluestem Brands, Inc.	L+7.50 %	9.38 %	11/6/2020	2,557	2,543	1,803	0.7 %

Gibson Brands, Inc.[k]	n/a		8.88	%	8/1/2018	10,000	9,220	8,025	2.9	%
Solaray, LLC	L+6.50	%	8.55	%	9/9/2023	3,256	3,229	3,256	1.2	%
Solaray, LLC (Delayed Draw)	L+6.50	%	8.80	%	9/9/2023	699	699	699	0.3	%
						16,512	15,691	13,783	5.1	%
Energy: Oil & Gas										
Landpoint, LLC	L+12.75	%	12.38% Cash/ 2.25% PIK	[l]	12/20/2019	2,311	2,300	2,273	0.8	%
Landpoint, LLC (Revolver)[f]	L+10.50	%	12.38	%	12/20/2019	313			0.0	%
						2,624	2,300	2,273	0.8	%
Environmental Industries										
Synergy Environmental Corporation[h]	L+6.50	%	8.38	%	4/29/2021	2,992	2,942	2,995	1.1	%
Synergy Environmental Corporation[h]	L+6.50	%	8.38	%	4/29/2021	500	492	501	0.2	%
Synergy Environmental Corporation (Delayed Draw)[f][g]	L+6.50	%	8.38	%	4/29/2021	1,336	853	854	0.3	%
Synergy Environmental Corporation (Revolver)[f]	L+6.50	%	8.38	%	4/29/2021	671	47	47	0.0	%
						5,499	4,334	4,397	1.6	%

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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March 31, 2018
(in thousands, except for shares and units)

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

(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. F each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at March 31, 2018. Certain investments are subject to a LIBOR or Prime interest rate floor, or rate cap.

(c) Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith using significant unobservable inputs by our board of directors as required by the 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 $273,005 as of March 31, 2018.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) March 31, 2018 (in thousands, except for shares and units)

(e) This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company s total assets. As of March 31, 2018, non-qualifying assets totaled 14.26% of the Company s total assets.

(f) All or a portion of this commitment was unfunded at March 31, 2018. As such, interest is earned only on the funded portion of this commitment.

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

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

(i) A portion of this loan (principal of $2,086) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

(j) A portion of the PIK interest rate for Cornerstone Detention Products, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.33% per annum.

(k) This investment represents a senior secured note that is traded in the secondary bond market.

(l) 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.

(m) This is an international company.

(n) This term loan is denominated in Great Britain pounds and is translated into U.S. dollars as of the valuation date.

(o) A portion of the PIK interest rate for TRG, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.60% per annum.

(p) The PIK portion of the interest rate for Peerless Network, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.75% per annum.

(q) The Company structures its unitranche secured loans as senior secured loans. The Company obtains security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first-priority liens on the assets of a portfolio company. Generally, the Company syndicates a first out portion of the loan to an investor and retains a last out portion of the loan, in which case the first out portion of the loan will generally receive priority with respect to payments of principal, interest and any other amounts due thereunder. Unitranche structures combine characteristics of traditional first lien senior secured as well as second lien and subordinated loans and the Company s unitranche secured loans will expose the Company to the risks associated with second lien and subordinated loans and may limit the Company s recourse or ability to recover collateral upon a portfolio company s bankruptcy. Unitranche secured loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity. Unitranche secured loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. In many cases the Company, together with its affiliates, are the sole or majority lender of these unitranche secured loans, which can afford the Company additional influence with a borrower in terms of monitoring and, if necessary, remediation in the event of underperformance.

(r) A portion of this loan (principal of $5,061) 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) This term loan is subject to a prime rate cap of 1.10%.

(t) Represents less than 5% ownership of the portfolio company s voting securities.

(u) Ownership of certain equity investments may occur through a holding company or partnership.

(v) Represents a non-income producing security.

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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
March 31, 2018
(in thousands, except for shares and units)

(w) 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).

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

(y) This position was on non-accrual status as of March 31, 2018, 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.

(z) This investment is held in a wholly owned entity, MCC Holdco Equity Manager I, LLC (MCC Holdco), which has an independent manager who has full control over the operations of MCC Holdco, including the right to vote the shares of TPP Holdco LLC, the holding company which owns the Company s equity interest in TPP. See Note 5 in the accompanying notes to the consolidated financial statements for additional information.

(aa) 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.

(ab) The PIK portion of the interest rate for Incipio Technologies, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.55% per annum.

n/a not applicable

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) December 31, 2017 (in thousands, except for shares and units)

See Notes to Consolidated Financial Statements.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) December 31, 2017 (in thousands, except for shares and units)

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

(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. F each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 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 using significant unobservable inputs 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 $278,699 as of December 31, 2017.

(e) This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company s total assets. As of December 31, 2017, non-qualifying assets totaled 13.13% of the Company s total assets excluding prepaid expenses.

(f) All or a portion of this commitment was unfunded at December 31, 2017. As such, interest is earned only on the funded portion of this commitment.

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

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

(i) A portion of this loan (principal of $2,113) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

(j) A portion of the PIK interest rate for Cornerstone Detention Products, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.33% per annum.

(k) This investment represents a senior secured note that is traded in the secondary bond market.

(l) 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.

(m) This is an international company.

(n) This term loan is denominated in Great Britain pounds and is translated into U.S. dollars as of the valuation date.

(o) A portion of the PIK interest rate for TRG, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.92% per annum.

(p) A portion of this loan (principal of $4,099) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2017
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(q) A portion of the PIK interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 1.81% per annum.

(r) 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.

(s) A portion of this loan (principal of $4,477) 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.

(t) Represents less than 5% ownership of the portfolio company s voting securities.

(u) Ownership of certain equity investments may occur through a holding company or partnership.

(v) Represents a non-income producing security.

(w) 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).

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

(y) This position was on non-accrual status as of December 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.

(z) This investment is held in a wholly owned entity, MCC Holdco Equity Manager I, LLC (MCC Holdco), which has an independent manager who has full control over the operations of MCC Holdco, including the right to vote the shares of TPP Holdco LLC, the holding company which owns the Company's equity interest in TPP. See Note 5 in the accompanying notes to the consolidated financial statements for additional information.

(aa) 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.

(ab) The Company structures its unitranche secured loans as senior secured loans. The Company obtains security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first-priority liens on the assets of a portfolio company. Generally, the Company syndicates a first out portion of the loan to an investor and retains a last out portion of the loan, in which case the first out portion of the loan will generally receive priority with respect to payments of principal, interest and any other amounts due thereunder. Unitranche structures combine characteristics of traditional first lien senior secured as well as second lien and subordinated loans and the Company s unitranche secured loans will expose the Company to the risks associated with second lien and subordinated loans and may limit the Company s recourse or ability to recover collateral upon a portfolio company s bankruptcy. Unitranche secured loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity. Unitranche secured loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. In many cases the Company, together with its affiliates, are the sole or majority lender of these unitranche secured loans, which can afford the Company additional influence with a borrower in terms of monitoring and, if necessary, remediation in the event of underperformance.

(ac) This term loan is subject to a prime rate cap of 1.10%.

n/a not applicable

See Notes to Consolidated Financial Statements.

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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 secured (a combination of senior secured and junior secured debt in the same facility in which the Company syndicates a first out portion of the loan to an investor and retains a last out portion of the loan) debt and, to a lesser extent, unsecured subordinated debt and equity investments. Monroe Capital is managed by Monroe Capital BDC Advisors, LLC (MC Advisors), a registered investment adviser under the Investment Advisers Act of 1940, as amended. In addition, for U.S. federal income tax purposes, Monroe Capital has elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

On February 28, 2014, the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP (MRCC SBIC), a Delaware limited partnership, received a license from the Small Business Administration (SBA) to operate as a Small Business Investment Company (SBIC) under Section 301(c) of the Small Business Investment Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of March 31, 2018, MRCC SBIC had $57,624 in leverageable capital and $112,800 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, MC Forest Park Lender, LLC, and MC Reserve Lender, LLC, in its consolidated financial statements. All intercompany balances and transactions have been eliminated. The Company does not consolidate its non-controlling interest in MRCC Senior Loan Fund I, LLC (SLF). See further description of the Company s investment in SLF in Note 3.

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MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

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 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 fees on loans based on the determination of whether the fee is considered a yield enhancement or payment for a service. If the fee is considered a yield enhancement associated with a funding of cash on a loan, the fee is generally deferred and recognized into interest income using the effective interest method if captured in the cost basis or using the straight-line method if the loan is unfunded and therefore there is no cost basis. If the fee is not considered a yield enhancement because a service was provided, and the fee is payment for that service, the fee is deemed earned and recognized 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. For the three months ended March 31, 2018 and 2017, the Company received return of capital distributions from the Company s investment in LLC equity interest in SLF of $9,500 and zero, respectively.

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 $7,352 and $8,005 as of March 31, 2018 and December 31, 2017, respectively. Upfront loan origination and closing fees received for the three months ended March 31, 2018 and 2017 totaled $316 and $690, respectively. For the three months ended March 31, 2018 and 2017, interest income included $1,032 and $388 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

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MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

income. For the three months ended March 31, 2018 and 2017, interest income included $133 and $652 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, 2018 and 2017, interest income included $329 and $613 of PIK interest, respectively. For the three months ended March 31, 2018 and 2017, dividend income included $260 and zero of PIK dividends, respectively. The Company stops accruing PIK interest when it is determined that PIK interest is no longer collectible. To maintain RIC tax treatment, and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

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

Non-accrual: Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. The Company generally reverses accrued interest when a loan is placed on non-accrual status. Additionally, any original issue discount and market discount are no longer accreted to interest income as of the date the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal, interest, or dividends are paid, and, in management s judgment are likely to remain current. The fair value of the Company s investments on non-accrual status totaled $4,189 and $8,516 at March 31, 2018 and December 31, 2017, respectively.

Partial loan sales: The Company follows the guidance in ASC Topic 860 Transfers and Servicing (ASC Topic 860), when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on the Company s consolidated statements of assets and liabilities and the proceeds are recorded as a secured borrowing until the definition is met. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest and other debt financing expenses in the accompanying consolidated statements of operations. Changes in the fair value of secured borrowings from the prior period, as determined by the Board through the application of the Company s valuation policy, are included as changes in unrealized gain (loss) on secured borrowings in the consolidated statements of operations. See Note 7 *Secured Borrowings* for additional information.

Distributions

Distributions to common stockholders are recorded on the record date. The amount, if any, to be distributed is determined by the Board each quarter and is generally based upon the earnings estimated by

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MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

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 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.

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

Note 2. Summary of Significant Accounting Policies (continued)

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, 2018 and December 31, 2017, the Company had unamortized deferred financing costs of $4,468 and $4,670, 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, 2018 and 2017 was $281 and $231, 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, 2018 and December 31, 2017, other assets on the consolidated statements of assets and liabilities included $501 and $494, respectively, of deferred offering costs which will be charged against the proceeds from future equity offerings when received.

Investments Denominated in Foreign Currency

As of March 31, 2018, the Company held investments in two portfolio companies that were denominated in Great Britain pounds.

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

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

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

Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to stockholders, for each taxable year, at least 90% of the Company s investment company taxable income, which is generally the Company s net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. If the Company qualifies as a RIC and satisfies the annual distribution requirement, the Company will not have to pay corporate-level federal income taxes on any income that the Company distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not

MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

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, 2018 and 2017, $11 and zero, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes. As of March 31, 2018 and December 31, 2017, payables for excise taxes of zero and $80, respectively, were included in accounts payable and accrued expenses on the consolidated statements of assets and liabilities.

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, 2018. The 2014 through 2017 tax years remain subject to examination by U.S. federal and state tax authorities.

Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued and such disclosure is included in Note 12. Other than what was disclosed in Note 12, there have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three months ended March 31, 2018.

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. The Company has adopted ASU 2014-09, and the adoption did not have a material impact on the Company s consolidated financial statements.

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

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

Note 2. Summary of Significant Accounting Policies (continued)

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. The Company has adopted ASU 2016-01, and the adoption did not have a material impact on the Company s consolidated financial statements.

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, 2018		December 31, 2017	
Amortized Cost:				
Senior secured loans	$ 395,936	76.7 %	$ 399,770	78.8 %
Unitranche secured loans	46,478	9.0	40,661	8.0
Junior secured loans	40,496	7.8	40,449	8.0
LLC equity interest in SLF	15,750	3.1	9,500	1.8
Equity securities	17,461	3.4	17,200	3.4
Total	$ 516,121	100.0 %	$ 507,580	100.0 %

	March 31, 2018		December 31, 2017	
Fair Value:				
Senior secured loans	$ 380,115	76.6 %	$ 387,874	78.5 %
Unitranche secured loans	45,976	9.3	40,295	8.2
Junior secured loans	38,578	7.8	38,549	7.8
LLC equity interest in SLF	16,333	3.3	9,640	1.9
Equity securities	15,032	3.0	17,780	3.6
Total	$ 496,034	100.0 %	$ 494,138	100.0 %

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, 2018			December 31, 2017		
Amortized Cost:						
International	$ 13,857	2.7	%	$ 13,858	2.7	%
Midwest	97,547	18.9		91,160	18.0	
Northeast	147,024	28.5		142,742	28.1	
Southeast	76,045	14.7		84,108	16.6	
Southwest	60,982	11.8		59,335	11.7	
West	120,666	23.4		116,377	22.9	
Total	$ 516,121	100.0	%	$ 507,580	100.0	%

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

	March 31, 2018			December 31, 2017		
Fair Value:						
International	$ 15,095	3.0	%	$ 14,632	3.0	%
Midwest	98,915	19.9		90,399	18.3	
Northeast	148,335	30.0		143,942	29.1	
Southeast	75,236	15.2		85,293	17.3	
Southwest	42,637	8.6		47,968	9.7	
West	115,816	23.3		111,904	22.6	
Total	$ 496,034	100.0	%	$ 494,138	100.0	%

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, 2018			December 31, 2017		
Amortized Cost:						
Aerospace & Defense	$ 4,945	1.0	%	$ 4,943	1.0	%
Banking, Finance, Insurance & Real Estate	59,226	11.5		60,519	11.9	
Beverage, Food & Tobacco	17,843	3.5		17,888	3.5	
Chemicals, Plastics & Rubber	10,337	2.0		8,734	1.7	
Construction & Building	18,353	3.6		17,851	3.5	
Consumer Goods: Durable	11,489	2.2		11,625	2.3	
Consumer Goods: Non-Durable	36,796	7.1		32,563	6.4	
Containers, Packaging & Glass	5,116	1.0		5,084	1.0	
Energy: Oil & Gas	2,300	0.4		2,372	0.5	
Environmental Industries	4,334	0.8		4,359	0.9	
Healthcare & Pharmaceuticals	62,117	12.0		59,613	11.7	
High Tech Industries	50,334	9.8		46,124	9.1	
Hotels, Gaming & Leisure	32,168	6.2		41,924	8.2	
Investment Funds & Vehicles	15,750	3.1		9,500	1.9	
Media: Advertising, Printing & Publishing	22,441	4.3		22,647	4.5	
Media: Broadcasting & Subscription	15,490	3.0		15,712	3.1	
Media: Diversified & Production	4,949	1.0		4,947	1.0	
Retail	57,546	11.1		57,424	11.3	
Services: Business	33,553	6.5		33,350	6.6	

Services: Consumer	21,472	4.2	21,263	4.2
Telecommunications	2,919	0.6	3,089	0.6
Utilities: Electric	2,760	0.5	2,759	0.5
Wholesale	23,883	4.6	23,290	4.6
Total	$ 516,121	100.0 %	$ 507,580	100.0 %

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

	March 31, 2018		December 31, 2017	
Fair Value:				
Aerospace & Defense	$ 5,000	1.0 %	$ 5,000	1.0 %
Banking, Finance, Insurance & Real Estate	60,526	12.2	61,407	12.4
Beverage, Food & Tobacco	17,566	3.5	17,770	3.6
Chemicals, Plastics & Rubber	10,461	2.1	8,860	1.8
Construction & Building	18,573	3.7	18,049	3.6
Consumer Goods: Durable	11,693	2.4	11,808	2.4
Consumer Goods: Non-Durable	29,768	6.0	26,546	5.4
Containers, Packaging & Glass	4,967	1.0	4,928	1.0
Energy: Oil & Gas	2,273	0.5	2,352	0.5
Environmental Industries	4,397	0.9	4,457	0.9
Healthcare & Pharmaceuticals	65,645	13.2	65,582	13.3
High Tech Industries	50,967	10.3	46,239	9.4
Hotels, Gaming & Leisure	33,241	6.7	42,744	8.6
Investment Funds & Vehicles	16,333	3.3	9,640	2.0
Media: Advertising, Printing & Publishing	23,048	4.6	23,264	4.7
Media: Broadcasting & Subscription	15,742	3.2	15,965	3.2
Media: Diversified & Production	5,006	1.0	5,006	1.0
Retail	35,157	7.1	39,815	8.1
Services: Business	34,152	6.9	33,732	6.8
Services: Consumer	21,463	4.3	21,474	4.3
Telecommunications	2,985	0.6	3,152	0.6
Utilities: Electric	2,797	0.6	2,792	0.6
Wholesale	24,274	4.9	23,556	4.8
Total	$ 496,034	100.0 %	$ 494,138	100.0 %

MRCC Senior Loan Fund I, LLC

The Company co-invests with NLV Financial Corporation (NLV) in senior secured loans through SLF, an unconsolidated Delaware limited liability company. SLF is capitalized as underlying investment transactions are completed, taking into account available debt and equity commitments available for funding these investments. All portfolio and investment decisions in respect of SLF must be approved by the SLF investment committee, consisting of one representative of each of the Company and NLV. SLF may cease making new investments upon notification of either member, but operations will continue until all investments have been sold or paid-off in the normal course of business. Investments held by SLF are measured at fair value using the same valuation methodologies as described in Note 4.

SLF s profits and losses are allocated to the Company and NLV in accordance with their respective ownership interests. As of March 31, 2018, the Company and NLV owned 50.0% and 50.0%, respectively of the LLC equity interests of SLF. As of March 31, 2018, SLF had $100,000 in commitments from its members (in the aggregate), of which $31,500 was funded. As of December 31, 2017, the Company and NLV owned 50.0% and 50.0%, respectively of the LLC equity interests of SLF. As of December 31, 2017, SLF had $100,000 in commitments from its members (in the aggregate), of which $19,000 was funded.

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

SLF has entered into a senior secured revolving credit facility (as amended, the SLF Credit Facility) with Capital One, N.A., through its wholly-owned subsidiary MRCC Senior Loan Fund I Financing SPV, LLC (SLF SPV), which as of March 31, 2018 allowed SLF SPV to borrow up to $100,000 at any one time outstanding, subject to leverage and borrowing base restrictions. Borrowings under the SLF Credit Facility bear interest at an annual rate of LIBOR (three-month) plus 2.25%. The maturity date on the SLF Credit Facility is March 22, 2023.

As of March 31, 2018 and December 31, 2017, SLF had total assets at fair value of $60,510 and $41,641, respectively. As of March 31, 2018 and December 31, 2017, SLF had zero and zero portfolio company investments on non-accrual status, respectively. The portfolio companies in SLF are in industries and geographies similar to those in which the Company may invest directly. Additionally, as of March 31, 2018 and December 31, 2017, SLF had commitments to fund various undrawn revolvers and delayed draw investments to its portfolio companies totaling $3,812 and $2,083, respectively.

Below is a summary of SLF s portfolio, followed by a listing of the individual investments in SLF s portfolio as of March 31, 2018 and December 31, 2017 (in thousands):

	As of March 31, 2018	December 31, 2017
Senior secured loans[1]	58,207	29,438
Weighted average current interest rate on senior secured loans[2]	7.4 %	7.1 %
Number of borrowers in SLF	17	8

(1) Represents outstanding principal amount, excluding unfunded commitments.

(2) Computed as the (a) annual stated interest rate on accruing senior secured loans divided by (b) total senior secured loans at outstanding principal amount.

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

MRCC SENIOR LOAN FUND I, LLC

SCHEDULE OF INVESTMENTS
(unaudited)
March 31, 2018

Portfolio Company[a]	Spread Above Index[b]	Interest Rate[b]	Maturity	Principal	Fair Value
Non-Controlled/Non-Affiliate Company Investments					
Senior Secured Loans					
Banking, Finance, Insurance & Real Estate					
MTC Intermediate Holdco, Inc.	L+4.75 %	6.63 %	1/30/2023	5,000	$4,998
				5,000	4,998
Beverage, Food & Tobacco					
Il Fornaio (America) Corporation	L+6.50 %	8.38 %	11/10/2022	4,973	4,973
US Salt, LLC	L+4.75 %	6.63 %	11/30/2023	3,500	3,500
				8,473	8,473
Chemicals, Plastics & Rubber					
Loparex International B.V.[c]	L+4.25 %	6.13 %	4/09/2025	500	498
Peach State Labs, LLC, and Flow Polymers, LLC	L+6.25 %	7.92 %	6/30/2021	2,876	2,891
				3,376	3,389
Construction & Building					
Fastener Acquisition, Inc.[c]	L+4.25 %	6.13 %	3/23/2025	1,333	1,338
				1,333	1,338
Consumer Goods: Non-Durable					
Solaray, LLC	L+6.50 %	8.53 %	9/09/2023	1,621	1,621
Solaray, LLC (Delayed Draw)[d]	L+6.50 %	8.53 %	9/09/2023	1,875	838
				3,496	2,459

Healthcare & Pharmaceuticals					
LSCS Holdings, Inc.[c]	L+4.25 %	6.40 %	3/16/2025	2,800	2,786
LSCS Holdings, Inc. (Delayed Draw)[c][d]	L+4.25 %	6.40 %	3/16/2025	700	
Radiology Partners Holdings, LLC	L+5.75 %	7.69 %	12/04/2023	1,701	1,704
Radiology Partners Holdings, LLC (Delayed Draw)[d]	L+5.75 %	7.69 %	12/04/2023	1,170	396
				6,371	4,886
High Tech Industries					
Gigamon, Inc.	L+4.50 %	6.80 %	12/19/2024	2,993	3,022
				2,993	3,022
Media: Diversified & Production					
Research Now Group, Inc. and Survey Sampling International, LLC	L+5.50 %	7.86 %	12/06/2024	6,983	6,950
				6,983	6,950

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

Portfolio Company[(a)]	Spread Above Index[(b)]	Interest Rate[(b)]	Maturity	Principal	Fair Value
Services: Business					
Engage2Excel, Inc.	L+6.50 %	8.54 %	3/07/2023	4,375	4,288
Engage2Excel, Inc. (Revolver)[(d)]	L+6.50 %	8.21 %	3/07/2023	545	98
Output Services Group, Inc.[(c)]	L+4.25 %	6.13 %	3/27/2024	4,145	4,166
Output Services Group, Inc. (Delayed Draw)[(c)(d)]	L+4.25 %	6.13 %	3/27/2024	855	
				9,920	8,552
Services: Consumer					
EWC Ventures, LLC	L+5.50 %	7.17 %	1/18/2023	3,350	3,358
LegalZoom.com, Inc.	L+4.50 %	6.34 %	11/21/2024	1,995	2,012
Zenith Merger Sub, Inc.	L+5.50 %	7.80 %	12/13/2023	3,741	3,741
				9,086	9,111
Wholesale					
BMC Acquisition, Inc.	L+5.25 %	7.70 %	12/28/2024	4,988	5,000
				4,988	5,000
TOTAL INVESTMENTS					**$58,178**

(a) All investments are U.S. companies, except for Loparex International B.V.

(b) The majority of investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (LIBOR or L) or Prime Rate (Prime or P) which reset daily, quarterly or semiannually. The Compa has provided the spread over LIBOR or Prime and the current contractual rate of interest in effect at March 31, 2018. Certain investments are subject to a LIBOR or Prime interest rate floor.

(c) Investment position or portion thereof unsettled as of March 31, 2018.

(d) All or a portion of this commitment was unfunded as of March 31, 2018. Principal reflects the commitment outstanding.

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

MRCC SENIOR LOAN FUND I, LLC

SCHEDULE OF INVESTMENTS December 31, 2017

Portfolio Company[(a)]	Spread Above Index[(b)]	Interest Rate[(b)]	Maturity	Principal	Fair Value
Non-Controlled/Non-Affiliate Company Investments					
Senior Secured Loans					
Banking, Finance, Insurance & Real Estate					
Clearent Holdings LLC and Clearent, LLC[(c)]	P+3.75 %	8.25 %	1/02/2024	1,056	$ 1,045
Clearent Holdings LLC and Clearent, LLC[(c)]	P+3.75 %	8.25 %	1/02/2024	1,257	1,244
Clearent Holdings LLC and Clearent, LLC[(c)(d)]	P+3.75 %	8.25 %	1/02/2024	208	
				2,521	2,289
Beverage, Food & Tobacco					
Il Fornaio (America) Corporation	L+6.50 %	8.07 %	11/10/2022	5,000	5,008
US Salt, LLC[(c)]	L+4.75 %	6.18 %	11/30/2023	3,500	3,500
				8,500	8,508
Consumer Goods: Non-Durable					
Solaray, LLC	L+6.50 %	8.02 %	9/09/2023	1,625	1,625
Solaray, LLC (Delayed Draw)[(d)]	L+6.50 %	8.02 %	9/09/2023	1,875	
				3,500	1,625
High Tech Industries					
Gigamon, Inc.[(c)]	L+4.50 %	6.03 %	12/19/2024	3,000	2,985
				3,000	2,985
Media: Diversified & Production					
Research Now Group, Inc. and Survey Sampling International, LLC[(c)]	L+5.50 %	7.13 %	12/06/2024	7,000	6,714
				7,000	6,714

Services: Consumer					
LegalZoom.com, Inc.[c]	L+4.50 %	5.94 %	11/21/2024	2,000	2,005
				2,000	2,005
Wholesale					
BMC Acquisition, Inc.[c]	L+5.25 %	6.94 %	12/28/2024	5,000	5,000
				5,000	5,000
TOTAL INVESTMENTS					**$29,126**

(a) All investments are U.S. companies.

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

(b) The majority of investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (LIBOR or L) or Prime Rate (Prime or P) which reset daily, quarterly or semiannually. The Compa has provided the spread over LIBOR or Prime and the current contractual rate of interest in effect at December 31, 2017. Certain investments are subject to a LIBOR or Prime interest rate floor.

(c) Investment position or portion thereof unsettled as of December 31, 2017.

(d) All or a portion of this commitment was unfunded as of December 31, 2017. Principal reflects the commitment outstanding.

As of March 31, 2018 and December 31, 2017, the Company has committed to fund $50,000 and $50,000 of LLC equity interest subscriptions to SLF, respectively. As of March 31, 2018 and December 31, 2017, $15,750 and $9,500 of the Company s LLC equity interest subscriptions to SLF had been called and contributed, net of return of capital distributions subject to recall, respectively. For the three months ended March 31, 2018 and 2017, the Company received $175 and zero dividend income from the SLF LLC equity interests, respectively.

Below is certain summarized financial information for SLF as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 (dollars in thousands):

	March 31, 2018	December 31, 2017
Assets		
Investments, at fair value	$ 58,178	$ 29,126
Cash	858	12,504
Restricted cash	1,287	
Receivable for open trades	48	
Interest receivable	139	11
Total assets	$ 60,510	$ 41,641
Liabilities		
Revolving credit facility	$ 20,297	$
Less: Unamortized deferred financing costs	(1,310)	
Total debt, less unamortized deferred financing costs	18,987	
Payable for open trades	8,735	22,304
Interest payable	36	
Accounts payable and accrued expenses	87	57
Total liabilities	27,845	22,361

Members capital	32,665	19,280
Total liabilities and members capital	$ 60,510	$ 41,641

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

	Three months ended	
	March 31, 2018	March 31, 2017(1)
Investment income:		
Interest income	$ 780	$
Total investment income	780	
Expenses:		
Interest and other debt financing expenses	44	
Organizational costs	6	
Professional fees	40	
Total expenses	90	
Net investment income (loss)	690	
Net gain (loss) on investments:		
Net change in unrealized gain (loss) on investments	545	
Net gain (loss) on investments	545	
Net increase (decrease) in members capital	$ 1,235	$

(1) SLF commenced operations on November 14, 2017.

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.

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MONROE CAPITAL CORPORATION

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

Note 4. Fair Value Measurements (continued)

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, with the exception of investments measured at fair value using net asset value (NAV), as of March 31, 2018 and December 31, 2017 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.

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

Note 4. Fair Value Measurements (continued)

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.

In addition, for certain debt investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third-party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be willing to accept. The Company generally uses the midpoint of the bid/ask range as its best estimate of fair value of such investment.

Secured Borrowings

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

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

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

Note 4. Fair Value Measurements (continued)

Fair Value Disclosures

The following table presents fair value measurements of investments and secured borrowings, by major class, as of March 31, 2018, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Senior secured loans	$	$	$ 380,115	$ 380,115
Unitranche secured loans			45,976	45,976
Junior secured loans			38,578	38,578
Equity securities			15,032	15,032
Investments measured at NAV(1)(2)				16,333
Total Investments	$	$	$ 479,701	$ 496,034

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

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Senior secured loans	$	$	$ 387,874	$ 387,874
Unitranche secured loans			40,295	40,295
Junior secured loans			38,549	38,549
Equity securities			17,780	17,780
Investments measured at NAV(1)(2)				9,640
Total Investments	$	$	$ 484,498	$ 494,138

(1) Certain investments that are measured at fair value using the NAV have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities.

(2)

Represents the Company s investment in LLC equity interests in SLF. The fair value of this investment has been determined using the NAV of the Company s ownership interest in members capital.

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. Excluding loans on non-accrual, the contractual interest rates on the loans ranged between 6.88% to 16.38% at March 31, 2018 and 6.57% to 15.00% at December 31, 2017. The maturity dates on the loans outstanding at March 31, 2018 range between April 2018 and August 2025.

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

Note 4. Fair Value Measurements (continued)

The following tables provide a reconciliation of the beginning and ending balances for investments and secured borrowings that use Level 3 inputs for the three months ended March 31, 2018 and 2017:

	Investments Senior secured loans	Unitranche secured loans	Junior secured loans	Equity securities	Total investments	Secured borrowings
Balance as of December 31, 2017	$387,874	$40,295	$38,549	$17,780	$484,498	$
Net change in unrealized gain (loss) on investments	(3,927)	(136)	(17)	(3,008)	(7,088)	
Net realized gain (loss) on investments						
Purchases of investments and other adjustments to cost[(1)]	12,024	6,019	47	260	18,350	
Proceeds from principal payments and sales on investments[(2)]	(15,856)	(202)	(1)		(16,059)	
Net change in unrealized gain (loss) on secured borrowings						
Repayments on secured borrowings						
Net realized (gain) loss on secured borrowings						
Balance as of March 31, 2018	$380,115	$45,976	$38,578	$15,032	$479,701	$

	Investments Senior secured loans	Unitranche secured loans	Junior secured loans	Equity securities	Total investments	Secured borrowings
Balance as of December 31, 2016	$275,253	$51,638	$59,366	$26,663	$412,920	$1,314
Net change in unrealized gain (loss) 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 gain (loss) on secured borrowings						1
Repayments on secured borrowings						
Net realized (gain) loss on secured borrowings						
Balance as of March 31, 2017	$300,223	$50,465	$42,260	$25,201	$418,149	$1,315

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

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

The total change in unrealized gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on investments for the three months ended March 31, 2018 and 2017, attributable to Level 3 investments still held at March 31, 2018 and 2017, was ($6,219) and ($2,727), respectively. The total change in unrealized (gain) loss included in the consolidated statements of operations within net change in unrealized (gain) loss on secured borrowings for the three months ended March 31, 2018 and 2017, attributable to Level 3 investments still held at March 31, 2018 and 2017, was zero and ($1), 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, 2018 and 2017.

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

Note 4. Fair Value Measurements (continued)

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, 2018 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Mean	Range Minimum	Maximum
Assets:						
Senior secured loans	$251,320	Discounted cash flow	EBITDA multiples	7.1x	3.5x	13.5x
			Market yields	11.6%	8.3%	24.5%
Senior secured loans	56,621	Discounted cash flow	Revenue multiples	2.2x	0.3x	6.0x
			Market yields	13.8%	8.7%	19.0%
Senior secured loans	14,681	Waterfall	Delinquency ratio	0.2%	0.2%	0.2%
Senior secured loans	12,929	Combination of discounted cash flow and enterprise value	Tangible book value multiples	1.3x	1.2x	1.4x
			Market yields	13.5%	10.0%	18.3%
Senior secured loans	9,207	Enterprise value	EBITDA multiples	7.0x	6.3x	7.8x
Senior secured loans	3,648	Combination of enterprise value	Revenue multiples	0.1x	0.1x	0.1x

		and liquidation				
Senior secured loans	541	Enterprise value	Revenue multiples	0.5x	0.4x	0.5x
Unitranche secured loans	45,679	Discounted cash flow	EBITDA multiples	6.2x	3.8x	9.0x
			Market yields	16.3%	9.5%	25.0%
Unitranche secured loans	297	Enterprise value	EBITDA multiples	5.0x	4.5x	5.5x
Junior secured loans	5,625	Discounted cash flow	EBITDA multiples	9.4x	4.0x	10.5x
			Market yields	11.4%	10.4%	14.5%
Equity securities	8,503	Discounted cash flow	EBITDA multiples	4.3x	4.0x	4.5x
			Market yields	22.0%	21.0%	23.0%
Equity securities	3,561	Enterprise value	Revenue multiples	0.4x	0.3x	2.7x
Equity securities	1,574	Enterprise value	EBITDA multiples	7.0x	4.3x	11.0x
Equity securities	227	Enterprise value	Tangible book value multiples	1.3x	1.2x	1.4x
Total Level 3 Assets	**$414,413**[(1)]					

(1) Excludes loans of $65,288 at fair value where valuation (unadjusted) is obtained from a third-party pricing service for which such disclosure is not required. Also excludes the Company s investment in SLF of $16,333.

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

Note 4. Fair Value Measurements (continued)

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets and liabilities as of December 31, 2017 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Mean	Range Minimum	Range Maximum
Assets:						
Senior secured loans	$300,882	Discounted cash flow	EBITDA multiples	6.8x	3.8x	14.0x
			Market yields	11.6%	8.1%	23.5%
Senior secured loans	15,654	Waterfall	Delinquency ratio	0.0%	0.0%	0.0%
Senior secured loans	12,967	Discounted cash flow	Tangible book value multiples	1.3x	1.2x	1.3x
			Market yields	14.5%	10.3%	19.9%
Senior secured loans	9,516	Discounted cash flow	Revenue multiples	4.0x	3.8x	4.3x
			Market yields	8.8%	8.4%	9.2%
Senior secured loans	8,718	Enterprise value	EBITDA multiples	7.5x	6.0x	9.3x
Senior secured loans	8,516	Enterprise value	Revenue multiples	0.3x	0.3x	0.6x
Unitranche secured loans	40,000	Discounted cash flow	EBITDA multiples	6.2x	3.8x	8.5x
			Market yields	15.0%	8.8%	23.0%
Unitranche secured loans	295	Enterprise value	EBITDA multiples	5.0x	4.5x	5.5x
Junior secured loans	5,625	Discounted cash flow	EBITDA multiples	9.1x	3.8x	10.3x
			Market yields	11.1%	10.2%	14.0%
Equity securities	8,429	Discounted cash flow	EBITDA multiples	4.0x	3.8x	4.3x
			Market yields	21.0%	20.0%	22.0%
Equity securities	5,892			0.4x	0.4x	2.7x

		Enterprise value	Revenue multiples			
Equity securities	1,767	Enterprise value	EBITDA multiples	6.8x	4.5x	9.0x
Equity securities	353	Enterprise value	Tangible book value multiples	1.3x	1.2x	1.3x
Total Level 3 Assets	**$418,614**(1)					

(1) Excludes loans of $65,884 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 or revenue 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 or revenue of the portfolio company (or other meaningful measure). Increases (decreases) in the multiple will result in an increase (decrease) in enterprise value, resulting in an increase (decrease) in the fair value estimate of the investment.

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

Other Financial Assets and Liabilities

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

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MONROE CAPITAL CORPORATION

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

Note 4. Fair Value Measurements (continued)

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, 2018 and December 31, 2017, the fair value of the Company s SBA debentures using Level 3 inputs were estimated at $112,800 and $109,520, 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 an ownership interest of 5% or more of its voting securities. A controlled affiliate company is a company in which the Company has an ownership interest of more than 25% of its voting securities. Please see the Company s consolidated schedule of investments for the type of investment, principal amount, interest rate including the spread, and the maturity date. Transactions related to the Company s investments with affiliates for the three months ended March 31, 2018 and 2017 were as follows:

Portfolio Company	Fair value at December 31, 2017	Transfers in (out)	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net unrealized gains (losses)	Fair value at March 31, 2018
Non-controlled affiliate company investments:									
American Community Homes, Inc.	$7,441	$	$	$(331)	$	$11	$	$245	$7,366
American Community Homes, Inc.	4,329			(165)	49	5		116	4,334
American Community Homes, Inc.	542				7	1		(1)	549
American Community Homes, Inc.	431					1		15	447
American Community Homes, Inc.	224				2	1		6	233
American Community Homes, Inc. (Delayed Draw)									
American Community Homes, Inc. (Delayed Draw)	353							(126)	227

American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity)						
	13,320	(496)	58	19	255	13,156
Luxury Optical Holdings Co.	3,697		103	4	54	3,858
Luxury Optical Holdings Co. (Delayed Draw)	741	(118)				623
Luxury Optical Holdings Co. (Revolver)	170		5		3	178
Luxury Optical Holdings Co. (86 shares of common stock)						
	4,608	(118)	108	4	57	4,659
Millennial Brands LLC						
Millennial Brands LLC						
Millennial Brands LLC						
Millennial Brands LLC	550				(9)	541
Millennial Brands LLC						
Millennial Brands LLC (10 preferred units)						
Millennial Brands LLC (75,502 common units)						
	550				(9)	541

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MONROE CAPITAL CORPORATION

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

Note 5. Transactions with Affiliated Companies (continued)

Portfolio Company	Fair value at December 31, 2017	Transfers in (out)	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net unrealized gains (losses)	Fair value at March 31, 2018
Rockdale Blackhawk, LLC	10,594					54		39	10,687
Rockdale Blackhawk, LLC (Capex)	533							4	537
Rockdale Blackhawk, LLC (Revolver)	1,797							8	1,805
Rockdale Blackhawk, LLC (Revolver)	3,145							13	3,158
Rockdale Blackhawk, LLC (Revolver)			1,387					(34)	1,353
Rockdale Blackhawk, LLC LLC Units (22.65% of the LLC interest)[1]	5,673							(2,331)	3,342
	21,742		1,387			54		(2,301)	20,882
SHI Holdings, Inc.	2,625			(7)		4		(4)	2,618
SHI Holdings, Inc. (Revolver)	2,226		328			1		(2)	2,553
SHI Holdings, Inc. (24 shares of common stock)	786							(167)	619
	5,637		328	(7)		5		(173)	5,790
Summit Container Corporation	3,421				18	6		7	3,452
Summit Container Corporation	1,507				8				1,515
Summit Container Corporation (warrant to purchase up to 19.50% of the equity)									
	4,928				26	6		7	4,967
TPP Operating, Inc.[2][3]									
TPP Operating, Inc.[2][3]	3,373	724	63	(42)				(4,080)	38
TPP Operating, Inc.[2][3]	4,593	(724)	467	(47)				(679)	3,610
TPP Operating, Inc. (24 shares of common stock)[2][3]									
TPP Operating, Inc. (16 shares of common stock)[2][3]									
	7,966		530	(89)				(4,759)	3,648
Total non-controlled affiliate company investments	$58,751	$	$2,245	$(710)	$192	$88	$	$(6,923)	$53,643

Controlled affiliate company investments:									
MRCC Senior Loan Fund I, LLC	$9,640	$	$15,750	$(9,500)	$	$	$	$443	$16,333
	9,640		15,750	(9,500)				443	16,333
Total controlled affiliate company investments	$9,640	$	$15,750	$(9,500)	$	$	$	$443	$16,333

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MONROE CAPITAL CORPORATION

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

Note 5. Transactions with Affiliated Companies (continued)

Portfolio Company	For the three months ended March 31, 2018 Interest income	Dividend income	Fee income	2017 Interest income	Dividend income	Fee income
Non-controlled affiliate company investments:						
American Community Homes, Inc.	$336	$	$	$193	$	$
American Community Homes, Inc.	241			153		
American Community Homes, Inc.	30			19		
American Community Homes, Inc.	20					
American Community Homes, Inc.	13					
American Community Homes, Inc. (Delayed Draw)						
American Community Homes, Inc. (Delayed Draw)						
American Community Homes, Inc. (Warrant)						
	640			365		
Luxury Optical Holdings Co.	107					
Luxury Optical Holdings Co. (Delayed Draw)	23					
Luxury Optical Holdings Co. (Revolver)	5					
Luxury Optical Holdings Co. (Common stock)						
	135					

MONROE CAPITAL CORPORATION

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

Note 5. Transactions with Affiliated Companies (continued)

	For the three months ended March 31,					
	2018			2017		
Portfolio Company	Interest income	Dividend income	Fee income	Interest income	Dividend income	Fee income
Millennial Brands LLC				32		
Millennial Brands LLC				15		
Millennial Brands LLC				10		
Millennial Brands LLC				72		
Millennial Brands LLC						
Millennial Brands LLC (Preferred units)						
Millennial Brands LLC (Common units)						
				129		
Rockdale Blackhawk, LLC	452			375		
Rockdale Blackhawk, LLC (Capex)	20			17		
Rockdale Blackhawk, LLC (Revolver)	67			44		
Rockdale Blackhawk, LLC (Revolver)	118					
Rockdale Blackhawk, LLC (Revolver)	32					
Rockdale Blackhawk, LLC (LLC interest)						
	689			436		
SHI Holdings, Inc.	82			70		
SHI Holdings, Inc. (Revolver)	70			33		
SHI Holdings, Inc. (Common stock)						
	152			103		
Summit Container Corporation	159			163		
Summit Container Corporation	53					
Summit Container Corporation (Warrant)						
	212			163		
TPP Operating, Inc.						
TPP Operating, Inc.						
TPP Operating, Inc.						
TPP Operating, Inc. (Common stock)						
TPP Operating, Inc. (Common stock)						
Total non-controlled affiliate company investments	$1,828	$	$	$1,196	$	$

Controlled affiliate company investments:						
MRCC Senior Loan Fund I, LLC	$	$ 175	$	$	$	$
TPP Acquisition, Inc. (Common stock)						
TPP Operating, Inc. (Common stock)				76		
TPP Operating, Inc. (Common stock)				101		
		175		177		
Total controlled affiliate company investments	$	$ 175	$	$ 177	$	$

(1) The Company provided a follow-on investment to Rockdale Blackhawk, LLC (Rockdale) during the three months ended March 31, 2018. In conjunction with the follow-on investment, the Company also received an additional 4.62% of the equity of Rockdale, increasing total equity ownership to 22.65%.

(2) In December 2017, the Company transferred 16% of the equity interest in TPP Operating, Inc. shares to a wholly-owned entity, MCC Holdco Equity Manager I, LLC (MCC Holdco), which has an independent

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MONROE CAPITAL CORPORATION

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

Note 5. Transactions with Affiliated Companies (continued)

manager who has full control over the operations of MCC Holdco, including the right to vote the shares of TPP Holdco LLC, the holding company which owns the Company s equity interest in TPP Operating, Inc. As a result, the Company now only controls 24.0% of the voting interests in TPP Operating, Inc. and TPP Acquisition, Inc. is no longer considered a controlled affiliate company investment. As a result, TPP Operating, Inc. is presented as a non-controlled affiliate company investment for the three months ended March 31, 2018 and a controlled affiliate company investment for the three months ended March 31, 2017. As of March 31, 2018, the Company valued its positions in TPP Operating, Inc. utilizing a combination of an enterprise value waterfall model and a liquidation analysis. The key inputs to the enterprise value waterfall model were an estimated 2018 revenue forecast and revenue multiple developed using comparable public and private company data. The key inputs to the liquidation analysis were estimated net realizable values for assets of the Company.

(3) On September 2, 2016, TPP Acquisition, Inc. filed for bankruptcy as part of a restructuring process. The existing lenders, including the Company, submitted a credit bid to purchase certain assets of TPP Acquisition, Inc., which was approved by the bankruptcy court. The sale closed on November 8, 2016. A new operating company, TPP Operating, Inc., was formed to acquire certain of the assets of TPP Acquisition, Inc. and continue business operations. These new operations are no longer encumbered by significant lease liabilities. The Company initially owned 40% of the equity interests in the new operating company, TPP Operating, Inc. and owned 40.0% of the equity interests in TPP Acquisition, Inc., the former operating company, until its dissolution during the year ended December 31, 2017.

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, which includes assets financed using leverage) and is payable in arrears. Base management fees for the three months ended March 31, 2018 and 2017 were $2,163 and $1,805, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2% (8% annualized) preferred return, or hurdle, and a catch up feature. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of pre-incentive fee net investment income will be payable except to the extent that 20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters (the Incentive Fee Limitation). Therefore, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (1) 20% of the amount by which pre-incentive fee net investment income for such calendar quarter exceeds the 2% hurdle, subject to the catch-up provision, and (2) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding calendar quarters minus (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the cumulative net increase in net assets resulting from operations is the sum of pre-incentive fee net investment income, realized gains and losses and unrealized gains and losses for the then current and 11 preceding calendar quarters. The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20% of realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses on a cumulative basis and unrealized depreciation, less the aggregate amount of any previously paid capital gain incentive fees.

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

Note 6. Transactions with Related Parties (continued)

Incentive fees for the three months ended March 31, 2018 and 2017 were $761 and $1,290, respectively. Incentive fees for the three months ended March 31, 2018, consisted solely of part one incentive fees (based on net investment income) of $761, which includes the effect of a $1,084 Incentive Fee Limitation as described above. 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. 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 gain (loss) 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 gain (loss). For the three months ended March 31, 2018 and 2017, no incentive fees were waived.

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, 2018 and 2017, the Company incurred $807 and $830, respectively, in administrative expenses (included within Professional fees, Administrative service fees and General and administrative expenses on the consolidated statements of operations) under the Administration Agreement, of which $324 and $330, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. As of March 31, 2018 and December 31, 2017, $324 and $322, 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, 2018 December 31, 2017, 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, 2018, the Company had U.S. dollar borrowings of $113,250 and non-U.S. dollar borrowings denominated in Great Britain pounds of £8,800 ($12,334 in U.S. dollars) under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company s assets. The borrowings denominated in Great Britain pounds are translated into U.S. dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign currency borrowings is included in net change in unrealized gain (loss) on foreign currency borrowings in the Company s consolidated statements of operations and totaled ($442) and zero for the three months ended March 31, 2018 and 2017, respectively. The borrowings denominated in Great Britain pounds may be positively or negatively affected by

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

Note 7. Borrowings (continued)

movements in the rate of exchange between the U.S. dollar and the Great Britain pound. These movements are beyond the control of the Company and cannot be predicted. As of December 31, 2017, the Company had U.S. dollar borrowings of $105,200 and non-U.S. dollar borrowings denominated in Great Britain pounds of £8,800 ($11,892 in U.S. dollars) under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company s assets. As of March 31, 2018, 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 upsize 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% (or 2.75% if the Company s 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, 2018 and December 31, 2017, the outstanding borrowings were accruing at a weighted average interest rate of 4.6% and 4.4%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three months ended March 31, 2018 and 2017 was 4.6% and 4.1%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three months ended March 31, 2018 and 2017 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 revolving 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

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MONROE CAPITAL CORPORATION

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

Note 7. Borrowings (continued)

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.

See Note 12 for additional disclosure regarding an amendment to the revolving credit facility which occurred on April 25, 2018.

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, 2018, MRCC SBIC had $57,624 in leverageable capital and $112,800 in SBA-guaranteed debentures outstanding. As of December 31, 2017, MRCC SBIC had $57,624 in leverageable capital and $109,520 in SBA-guaranteed debentures outstanding. As of March 31, 2018, the Company has made all required leverageable capital contributions to MRCC SBIC in order to access the remaining $2,200 in available SBA-guaranteed debentures.

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MONROE CAPITAL CORPORATION

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

Note 7. Borrowings (continued)

As of March 31, 2018, MRCC SBIC had the following SBA-guaranteed debentures outstanding (dollars in thousands):

Maturity Date	Interest Rate	Amount
September 2024	3.4 %	$ 12,920
March 2025	3.3 %	14,800
March 2025	2.9 %	7,080
September 2025	3.6 %	5,200
March 2027	3.5 %	20,000
September 2027	3.2 %	32,100
March 2028	3.2 %	18,520
September 2028	3.3 %(1)	2,180
Total		$ 112,800

As of December 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
September 2027	3.2 %	32,100
March 2028	2.5 %(1)	9,160
March 2028	2.6 %(1)	2,780
March 2028	2.7 %(1)	5,480
Total		$ 109,520

(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, 2018 and December 31, 2017, there were no secured borrowings.

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MONROE CAPITAL CORPORATION

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

Note 7. Borrowings (continued)

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, 2018	2017
Interest expense revolving credit facility	$ 1,557	$ 1,345
Interest expense SBA guaranteed debentures	868	406
Amortization of deferred financing costs	281	231
Interest expense secured borrowings		21
Other		7
Total interest and other debt financing expenses	$ 2,706	$ 2,010

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, 2018 and 2017:

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, 2018:								
March 1, 2018	March 16, 2018	March 30, 2018	$ 0.35	$ 7,084		$	23,908	$ 301
Total distributions declared			$ 0.35	$ 7,084		$	23,908	$ 301
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	$ 0.35	$ 5,549	16,217	$ 254	$

Note 9. Stock Issuances and Repurchases

Stock Issuances: On July 1, 2016, the Company amended the ATM securities offering program with MLV & Co. LLC (MLV) and JMP Securities LLC (JMP) to replace MLV with FBR Capital Markets & Co. (FBR), an affiliate of MLV (the Prior ATM Program). On May 12, 2017, the Company entered into new equity distribution agreements with each FBR and JMP that reference the Company s current registration statement (the ATM Program). All other material terms of the Prior ATM Program remain unchanged under the ATM Program. 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 Prior 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, 2018.

Note 10. Commitments and Contingencies

Commitments: As of March 31, 2018 and December 31, 2017, the Company had $36,572 and $41,238, respectively, in outstanding commitments to fund investments under undrawn revolvers, capital expenditure loans and delayed draw commitments. As described in Note 3, the Company had commitments up to $34,250 and $40,500, respectively, to SLF, as of March 31, 2018 and December 31, 2017 that may be contributed primarily for the purpose of funding new investments approved by the SLF investment committee.

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MONROE CAPITAL CORPORATION

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

Note 10. Commitments and Contingencies (continued)

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, 2018 and 2017:

	March 31, 2018	March 31, 2017
Per share data:		
Net asset value at beginning of period	$13.77	$14.52
Net investment income(1)	0.42	0.36
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings(1)	(0.35)	(0.21)
Net increase in net assets from operations(1)	0.07	0.15
Stockholder distributions(2)	(0.35)	(0.35)
Effect of share issuances above (below) NAV(3)		0.02

Net asset value at end of period	$13.49	$14.34
Net assets at end of period	$273,005	$239,606
Shares outstanding at end of period	20,239,957	16,711,686
Per share market value at end of period	$12.30	$15.73
Total return based on market value(4)	(8.06)%	4.56%
Total return based on average net asset value(5)	0.50%	1.07%
Ratio/Supplemental data:		
Ratio of net investment income to average net assets(6)	13.29%	11.83%
Ratio of total expenses to average net assets(6)(7)	8.70%	8.44%
Average debt outstanding	$237,017	$180,578
Average debt outstanding per share	$11.71	$10.88
Portfolio turnover(8)	5.16%	8.14%

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

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MONROE CAPITAL CORPORATION

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

Note 11. Financial Highlights (continued)

(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, 2018 and 2017, 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 effect of share issuances above (below) net asset value and 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, 2018 and 2017. These ratios have been annualized unless otherwise noted.

	March 31, 2018	March 31, 2017
Ratio of interest and other debt financing expenses to average net assets	3.98 %	3.39 %
Ratio of total expenses (without incentive fees) to average net assets	8.42 %	7.90 %
Ratio of incentive fees, to average net assets (not annualized)(9)	0.28 %	0.54 %

(8) Ratios are not annualized.

(9) The ratio of waived incentive fees to average net assets was zero and zero for three months ended March 31, 2018 and 2017, respectively.

Note 12. Subsequent Events

The Company has evaluated subsequent events through May 8, 2018, the date on which the consolidated financial statements were issued.

On April 25, 2018, the Company entered into an amendment to its revolving credit agreement (the Amendment). The Amendment amends the Company s revolving credit agreement to, among other things, (i) remove the pricing step-down related to the Company s net worth to set the interest rate the revolving credit facility bears to the stepped-down interest rate of the one-month LIBOR plus 2.75%; (ii) increase the weighted average leverage ratio from 4.50:1 to 4.75:1; and (iii) add to the borrowing base on a limited basis investments structured based on loan-to-value metrics, with corresponding adjustments to the eligibility criteria and concentration limits.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Monroe Capital Corporation (MRCC, and collectively with its subsidiaries, the Company, we, u and our) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is a process designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Monroe Capital Corporation s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Our policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Monroe Capital Corporation, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition or our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness as to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of Monroe Capital Corporation s internal control over financial reporting as of December 31, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* issued in 2013. Based on the assessment, management believes that, as of December 31, 2017, our internal control over financial reporting is effective based on those criteria.

Monroe Capital Corporation s independent registered public accounting firm that audited the financial statements has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2017. This report appears on page F-60.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Monroe Capital Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Monroe Capital Corporation and Subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 14, 2018, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of investments owned as of December 31, 2017 and 2016, by correspondence with the custodian and issuers of equity securities and other appropriate procedures where replies from issuers of equity securities were not received. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company s auditor since 2011.

Chicago, Illinois
March 14, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders and the Board of Directors of
Monroe Capital Corporation and Subsidiaries

Opinion on the Internal Control Over Financial Reporting

We have audited Monroe Capital Corporation and Subsidiaries (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of assets and liabilities, including the consolidated schedules of investments, of the Company as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2017 and the related notes to the consolidated financial statements of the Company and our report dated March 14, 2018 expressed an unqualified opinion.

Basis for Opinion

The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Chicago, Illinois
March 14, 2018

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(in thousands, except per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	$425,747	$353,980
Non-controlled affiliate company investments	58,751	50,041
Controlled affiliate company investments	9,640	8,899
Total investments, at fair value (amortized cost of: $507,580 and $413,242, respectively)	494,138	412,920
Cash	4,332	5,958
Restricted cash	2,867	2,373
Interest receivable	5,335	2,643
Other assets	760	651
Total assets	507,432	424,545
LIABILITIES		
Debt:		
Revolving credit facility	117,092	129,000
SBA debentures payable	109,520	51,500
Total debt	226,612	180,500
Less: Unamortized deferred financing costs	(4,670)	(3,945)
Total debt, less unamortized deferred financing costs	221,942	176,555
Secured borrowings, at fair value (proceeds of: $0 and $1,320, respectively)		1,314
Interest payable	1,535	735
Management fees payable	2,064	1,749
Incentive fees payable	1,157	1,222
Accounts payable and accrued expenses	2,035	2,120
Total liabilities	228,733	183,695
Net assets	$278,699	$240,850
Commitments and contingencies (See Note 11)		
ANALYSIS OF NET ASSETS		
Common stock, $0.001 par value, 100,000 shares authorized, 20,240 and 16,582 shares issued and outstanding, respectively	$20	$17
Capital in excess of par value	286,141	233,526
Undistributed net investment income (accumulated distributions in excess of net investment income)	6,707	7,037
	(372)	587

Accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions		
Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	(13,797)	(317)
Total net assets	$278,699	$240,850
Net asset value per share	$13.77	$14.52

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)

	Year ended December 31,		
	2017	2016	2015
Investment income:			
Interest income:			
Non-controlled/non-affiliate company investments	$42,055	$34,348	$30,222
Non-controlled affiliate company investments	5,566	4,511	3,522
Controlled affiliate company investments	594	140	1,127
Total interest income	48,215	38,999	34,871
Dividend income:			
Non-controlled/non-affiliate company investments	1,002	1,002	325
Non-controlled affiliate company investments		3,546	301
Total dividend income	1,002	4,548	626
Fee income:			
Non-controlled/non-affiliate company investments	1,890	1,435	1,351
Non-controlled affiliate company investments		36	50
Total fee income	1,890	1,471	1,401
Total investment income	51,107	45,018	36,898
Operating expenses:			
Interest and other debt financing expenses	8,312	6,782	5,400
Base management fees	7,726	6,347	5,129
Incentive fees	5,686	5,777	4,685
Professional fees	1,243	988	835
Administrative service fees	1,248	1,287	1,078
General and administrative expenses	948	779	799
Excise taxes	100	679	83
Directors' fees	148	146	148
Expenses before incentive fee waiver	25,411	22,785	18,157
Incentive fee waiver	(308)	(273)	
Total expenses, net of incentive fee waiver	25,103	22,512	18,157
Net investment income	26,004	22,506	18,741
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings:			
Net realized gain (loss):			
Non-controlled/non-affiliate company investments	(439)	587	304
Secured borrowings	66		
Foreign currency transactions	1		
Net realized gain (loss)	(372)	587	304
Net change in unrealized gain (loss):			

Non-controlled/non-affiliate company investments	4,764	(610)	(1,944)
Non-controlled affiliate company investments	(14,635)	7,013	6,585
Controlled affiliate company investments	(3,249)	(5,078)	(5,726)
Secured borrowings	(6)	(53)	(68)
Foreign currency borrowings	(354)		
Net change in unrealized gain (loss)	(13,480)	1,272	(1,153)
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings	(13,852)	1,859	(849)
Net increase (decrease) in net assets resulting from operations	$12,152	$24,365	$17,892
Per common share data:			
Net investment income per share basic and diluted	$1.40	$1.55	$1.60
Net increase (decrease) in net assets resulting from operations per share basic and diluted	$0.65	$1.68	$1.53
Weighted average common shares outstanding - basic and diluted	18,625	14,546	11,683

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except p 142

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (in thousands)

	Common Stock						
	Number of shares	Par value	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, secured borrowings and foreign currency transactions	Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	Total net assets
Balances at December 31, 2014	9,518	$10	$134,803	$(639)	$	$(436)	$133,738
Net increase (decrease) in net assets resulting from operations				18,741	304	(1,153)	17,892
Issuance of common stock, net of offering and underwriting costs	3,490	3	49,616				49,619
Distributions to stockholders:							
Distributions from net investment income				(16,410)			(16,410)
Distributions from capital gains					(304)		(304)
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		$	$	$22,506	$587	$1,272	$24,365
Issuance of common stock, net of offering and underwriting costs	3,566	4	52,516				52,520
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	8		138	(138)			
Distributions from net investment income				(20,570)			(20,570)
Tax reclassification of stockholders equity in accordance with generally accepted accounting principles			(3,547)	3,547			
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		$	$	$26,004	$(372)	$(13,480)	$12,152
Issuance of common stock, net of offering and underwriting costs	3,624	3	52,218				52,221
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	34		525	(525)			
Distributions from net investment income				(25,933)			(25,933)
Distributions from capital gains					(591)		(591)
Tax reclassification of stockholders equity in accordance with generally accepted accounting principles			(128)	124	4		
Balances at December 31, 2017	20,240	$20	$286,141	$6,707	$(372)	$(13,797)	$278,699

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year ended December 31, 2017	2016	2015
Cash flows from operating activities:			
Net increase (decrease) in net assets resulting from operations	$12,152	$24,365	$17,892
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net change in unrealized (gain) loss on investments	13,120	(1,325)	1,085
Net change in unrealized (gain) loss on secured borrowings	6	53	68
Net change in unrealized (gain) loss on foreign currency borrowings	354		
Net realized (gain) loss on investments	439	(587)	(304)
Net realized (gain) loss on secured borrowings	(66)		
Net realized (gain) on foreign currency transactions	(1)		
Payment-in-kind interest income	(1,729)	(2,027)	(1,980)
Payment-in-kind dividend income	(241)		
Net accretion of discounts and amortization of premiums	(1,860)	(1,556)	(1,105)
Proceeds from principal payments and sales of investments	173,446	81,446	88,379
Purchases of investments	(264,393)	(147,780)	(193,631)
Amortization of deferred financing costs	1,042	820	742
Changes in operating assets and liabilities:			
Interest receivable	(2,692)	(1,037)	(654)
Other assets	(109)	96	135
Payable for open trades		(5,297)	5,297
Interest payable	800	158	333
Management fees payable	315	246	453
Incentive fees payable	(65)	(29)	111
Accounts payable and accrued expenses	(85)	654	361
Directors' fees payable		(74)	74
Net cash provided by (used in) operating activities	(69,567)	(51,874)	(82,744)
Cash flows from financing activities:			
Borrowings on revolving credit facility	184,538	105,000	144,900
Repayments of revolving credit facility	(196,800)	(99,700)	(103,500)
SBA debentures borrowings	58,020	11,500	20,000
Payments of deferred financing costs	(1,766)	(1,196)	(1,832)
Repayments on secured borrowings	(1,254)	(1,215)	(1,600)
Proceeds from shares sold, net of offering and underwriting costs	52,221	52,520	49,619
Stockholder distributions paid, net of stock issued under the	(26,524)	(20,570)	(16,714)

dividend reinvestment plan of $525, $138 and $0, respectively			
Net cash provided by (used in) financing activities	68,435	46,339	90,873
Net increase (decrease) in Cash and Restricted Cash	(1,132)	(5,535)	8,129
Cash and Restricted Cash, beginning of year	8,331	13,866	5,737
Cash and Restricted Cash, end of year[(1)]	$7,199	$8,331	$13,866
Supplemental disclosure of cash flow information:			
Cash interest paid during the year	$6,315	$5,530	$4,046
Cash paid for excise taxes during the year	$495	$284	$73

(1) Represents cash and restricted cash of $4,332 and $2,867, respectively, from the consolidated statement of assets and liabilities as of December 31, 2017. 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.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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(a) All of the Company s investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940 (the 1940 Act), unless otherwise noted. All of the Company s investments are issued by U.S. portfolio companies unless otherwise noted.

(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. F each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 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 using significant unobservable inputs 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 $278,699 as of December 31, 2017.

(e) This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company s total assets. As of December 31, 2017, non-qualifying assets totaled 13.13% of the Company s total assets excluding prepaid expenses.

(f) All or a portion of this commitment was unfunded at December 31, 2017. As such, interest is earned only on the funded portion of this commitment.

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

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

(i) A portion of this loan (principal of $2,113) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

(j) A portion of the PIK interest rate for Cornerstone Detention Products, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.33% per annum.

(k) This investment represents a senior secured note that is traded in the secondary bond market.

(l) 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.

(m) This is an international company.

(n) This term loan is denominated in Great Britain pounds and is translated into U.S. dollars as of the valuation date.

(o) A portion of the PIK interest rate for TRG, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.92% per annum.

(p) A portion of this loan (principal of $4,099) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company s revolving credit facility.

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(q) A portion of the PIK interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 1.81% per annum.

(r) 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.

(s) A portion of this loan (principal of $4,477) 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.

(t) Represents less than 5% ownership of the portfolio company s voting securities.

(u) Ownership of certain equity investments may occur through a holding company or partnership.

(v) Represents a non-income producing security.

(w) 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).

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

(y) This position was on non-accrual status as of December 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.

(z) This investment is held in a wholly owned entity, MCC Holdco Equity Manager I, LLC (MCC Holdco), which has an independent manager who has full control over the operations of MCC Holdco, including the right to vote the shares of TPP Holdco LLC, the holding company which owns the Company's equity interest in TPP. See Note 5 in the accompanying notes to the consolidated financial statements for additional information.

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

n/a not applicable

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(a) All of the Company s 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 of the Company s 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. F 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 using significant unobservable inputs 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 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.

(f) All or a portion of this commitment was unfunded at December 31, 2016. As such, interest is earned only on the funded portion of this commitment.

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(g) 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 excluding prepaid expenses.

(h) 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.

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

(j) The PIK portion of the interest rate for Landpoint, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 2.25% per annum.

(k) This 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.

(l) 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.

(m) 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.

(n) A portion of the PIK interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.92% per annum.

(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) The PIK portion of the interest rate for Peerless Network, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.75% per annum.

(q) A portion of this loan (principal of $5,240) 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.

(r) 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.

(s) 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.

(t) Represents less than 5% ownership of the portfolio company s voting securities.

(u) Represents a non-income producing security.

(v) As defined in the 1940 Act, the Company is deemed to be an Affiliated Person of the portfolio company as it owns five percent or more of the portfolio company s voting securities. See Note 5 in the accompanying notes to the consolidated financial statements for additional information on transactions in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to control).

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

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

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

n/a not applicable

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MONROE CAPITAL CORPORATION

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(in thousands, except share and per share data)

Note 1. Organization and Principal Business

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

On February 28, 2014, the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP (MRCC SBIC), a Delaware limited partnership, received a license from the Small Business Administration (SBA) to operate as a Small Business Investment Company (SBIC) under Section 301(c) of the Small Business Investment Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of December 31, 2017, MRCC SBIC had $57,624 in leverageable capital and $109,520 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-K 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, MC Forest Park Lender, LLC, and MC Reserve Lender, LLC, in its consolidated financial statements. All intercompany balances and transactions have been eliminated. The Company does not consolidate its non-controlling interest in MRCC Senior Loan Fund I, LLC (SLF). See further description of the Company s investment in SLF in Note 3.

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Note 2. Summary of Significant Accounting Policies (continued)

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 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 $8,005 and $6,192 as of December 31, 2017 and 2016, respectively. Upfront loan origination and closing fees received for the years ended December 31, 2017, 2016 and 2015 totaled $4,486, $3,100 and $3,306 respectively. For the years ended December 31, 2017, 2016 and 2015, interest income included $1,860, $1,556 and $1,105 of accretion of loan origination fees, original issue discounts and market discounts or premiums. 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 years ended December 31, 2017, 2016 and 2015, interest income included $1,790, $995 and $1,230 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 years ended December 31, 2017, 2016 and 2015, interest income included $1,729, $2,027 and $1,980 of PIK interest, respectively. For the years ended December 31, 2017, 2016 and 2015, dividend income included $241, zero and zero of PIK dividends, respectively. The Company stops accruing PIK interest when it is determined that PIK interest is no longer collectible. To maintain RIC tax treatment,

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Note 2. Summary of Significant Accounting Policies (continued)

and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

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

Non-accrual: Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. The Company generally reverses accrued interest when a loan is placed on non-accrual status. Additionally, any original issue discount and market discount are no longer accreted to interest income as of the date the loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal, interest, or dividends are paid, and, in management s judgment are likely to remain current. The fair value of the Company s investments on non-accrual status totaled $8,516 and $10,394 at December 31, 2017 and 2016, respectively.

Partial loan sales: The Company follows the guidance in ASC Topic 860 *Transfers and Servicing* (ASC Topic 860), when accounting for loan participations and other partial loan sales. Such guidance requires a participation or other partial loan sale to meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain on the Company s consolidated statements of assets and liabilities and the proceeds are recorded as a secured borrowing until the definition is met. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest and other debt financing expenses in the accompanying consolidated statements of operations. Changes in the fair value of secured borrowings from the prior period, as determined by the Board through the application of the Company s valuation policy, are included as changes in unrealized gain (loss) on secured borrowings in the consolidated statements of operations. See Note 7 *Secured Borrowings* for additional information.

Distributions

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

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.

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Note 2. Summary of Significant Accounting Policies (continued)

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 9 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 10 for additional information on the Company s share activity. For the years 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 December 31, 2017 and 2016, the Company had unamortized deferred financing costs of $4,670 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 years ended December 31, 2017, 2016 and 2015 was $1,042, $820 and $742, 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 December 31, 2017 and 2016, other assets on the consolidated statements of assets and liabilities included $494 and $281, respectively, of deferred offering costs which will be charged against the proceeds from future equity offerings when received.

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Note 2. Summary of Significant Accounting Policies (continued)

Investments Denominated in Foreign Currency

As of December 31, 2017, the Company held investments in two portfolio companies that were denominated in Great Britain pounds.

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

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

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

Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to stockholders, for each taxable year, at least 90% of the Company s investment company taxable income, which is generally the Company s net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. If the Company qualifies as a RIC and satisfies the annual distribution requirement, the Company will not have to pay corporate-level federal income taxes on any income that the Company distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no federal income taxes. To the extent that the Company determines that its estimated current year annual taxable income may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, calculated as 4% of the estimated excess taxable income as taxable income is earned. For the years ended December 31, 2017, 2016 and 2015, $100, $679 and $83, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes. As of December 31, 2017 and 2016, payables for excise taxes of $80, and $475, respectively, were included in accounts payable and accrued expenses on the consolidated statements of assets and liabilities.

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

MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

uncertain tax benefits in income tax expense. There were no material uncertain income tax positions through December 31, 2017. The 2014 through 2017 tax years remain subject to examination by U.S. federal and state tax authorities.

Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued and such disclosure is included in Note 13. Other than what was disclosed in Note 13, there have been no subsequent events that occurred during such period that would require disclosure or would be required to be recognized in the consolidated financial statements as of and for the year ended December 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. The Company adopted ASU 2014-09 on January 1, 2018, which did not have a material impact on the Company s Consolidated Financial Statements.

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

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

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MONROE CAPITAL CORPORATION

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

Note 2. Summary of Significant Accounting Policies (continued)

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):

	December 31, 2017		December 31, 2016	
Amortized Cost:				
Senior secured loans	$ 399,770	78.8 %	$ 280,324	67.8 %
Unitranche loans	40,661	8.0	57,361	13.9
Junior secured loans	40,449	8.0	61,674	14.9
LLC equity interest in SLF	9,500	1.8		
Equity securities	17,200	3.4	13,883	3.4
Total	$ 507,580	100.0 %	$ 413,242	100.0 %
Fair Value:				
Senior secured loans	$ 387,874	78.5 %	$ 275,253	66.7 %
Unitranche loans	40,295	8.2	51,638	12.5
Junior secured loans	38,549	7.8	59,366	14.4
LLC equity interest in SLF	9,640	1.9		
Equity securities	17,780	3.6	26,663	6.4
Total	$ 494,138	100.0 %	$ 412,920	100.0 %

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:

	December 31, 2017			December 31, 2016		
Amortized Cost:						
International	$ 13,858	2.7	%	$ 6,667	1.6	%
Midwest	91,160	18.0		59,710	14.5	
Northeast	142,742	28.1		105,482	25.5	
South				2,425	0.6	
Southeast	84,108	16.6		60,719	14.7	
Southwest	59,335	11.7		50,562	12.2	
West	116,377	22.9		127,677	30.9	
Total	$ 507,580	100.0	%	$ 413,242	100.0	%

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

	December 31, 2017			December 31, 2016		
Fair Value:						
International	$ 14,632	3.0	%	$ 6,636	1.6	%
Midwest	90,399	18.3		60,579	14.7	
Northeast	143,942	29.1		108,188	26.2	
South				2,445	0.6	
Southeast	85,293	17.3		61,128	14.8	
Southwest	47,968	9.7		54,263	13.1	
West	111,904	22.6		119,681	29.0	
Total	$ 494,138	100.0	%	$ 412,920	100.0	%

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):

	December 31, 2017			December 31, 2016		
Amortized Cost:						
Aerospace & Defense	$ 4,943	1.0	%	$ 9,524	2.3	%
Automotive				12,496	3.0	
Banking, Finance, Insurance & Real Estate	60,519	11.9		34,912	8.4	
Beverage, Food & Tobacco	17,888	3.5		18,068	4.4	
Chemicals, Plastics & Rubber	8,734	1.7		3,949	1.0	
Construction & Building	17,851	3.5		18,282	4.4	
Consumer Goods: Durable	11,625	2.3		3,600	0.9	
Consumer Goods: Non-Durable	32,563	6.4		35,567	8.6	
Containers, Packaging & Glass	5,084	1.0		3,582	0.9	
Energy: Oil & Gas	2,372	0.5		7,819	1.9	
Environmental Industries	4,359	0.9		3,675	0.9	
Healthcare & Pharmaceuticals	59,613	11.7		41,584	10.1	
High Tech Industries	46,124	9.1		19,746	4.8	
Hotels, Gaming & Leisure	41,924	8.2		37,860	9.2	
Investment Funds & Vehicles	9,500	1.9				
Media: Advertising, Printing & Publishing	22,647	4.5		11,781	2.8	
Media: Broadcasting & Subscription	15,712	3.1		17,527	4.2	
Media: Diversified & Production	4,947	1.0		4,938	1.2	
Metals & Mining				5,219	1.3	
Retail	57,424	11.3		48,488	11.7	

Services: Business	33,350	6.6	38,806	9.4
Services: Consumer	21,263	4.2	24,608	5.9
Telecommunications	3,089	0.6	3,431	0.8
Utilities: Electric	2,759	0.5	2,964	0.7
Wholesale	23,290	4.6	4,816	1.2
Total	$ 507,580	100.0 %	$ 413,242	100.0 %

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

	December 31, 2017		December 31, 2016	
Fair Value:				
Aerospace & Defense	$ 5,000	1.0 %	$ 10,601	2.6 %
Automotive			7,514	1.8
Banking, Finance, Insurance & Real Estate	61,407	12.4	37,130	9.0
Beverage, Food & Tobacco	17,770	3.6	16,794	4.1
Chemicals, Plastics & Rubber	8,860	1.8	4,040	1.0
Construction & Building	18,049	3.6	18,602	4.5
Consumer Goods: Durable	11,808	2.4	3,620	0.9
Consumer Goods: Non-Durable	26,546	5.4	32,000	7.7
Containers, Packaging & Glass	4,928	1.0	3,663	0.9
Energy: Oil & Gas	2,352	0.5	7,803	1.9
Environmental Industries	4,457	0.9	3,768	0.9
Healthcare & Pharmaceuticals	65,582	13.3	56,435	13.7
High Tech Industries	46,239	9.4	18,899	4.6
Hotels, Gaming & Leisure	42,744	8.6	38,010	9.2
Investment Funds & Vehicles	9,640	2.0		
Media: Advertising, Printing & Publishing	23,264	4.7	11,742	2.8
Media: Broadcasting & Subscription	15,965	3.2	18,046	4.4
Media: Diversified & Production	5,006	1.0	4,938	1.2
Metals & Mining			5,268	1.3
Retail	39,815	8.1	38,147	9.2
Services: Business	33,732	6.8	40,164	9.7
Services: Consumer	21,474	4.3	24,807	6.0
Telecommunications	3,152	0.6	3,430	0.8
Utilities: Electric	2,792	0.6	2,999	0.7
Wholesale	23,556	4.8	4,500	1.1
Total	$ 494,138	100.0 %	$ 412,920	100.0 %

MRCC Senior Loan Fund I, LLC

The Company co-invests with NLV Financial Corporation (NLV) in senior secured loans through SLF, an unconsolidated Delaware limited liability company. SLF is capitalized as transactions are completed and all portfolio and investment decisions in respect of SLF must be approved by the SLF investment committee, consisting of one representative of each of the Company and NLV. SLF may cease making new investments upon notification of either member but operations will continue until all investments have been sold or paid-off in the normal course of business.

Investments held by SLF are measured at fair value using the same valuation methodologies as described in Note 4.

SLF s profits and losses are allocated to the Company and NLV in accordance with their respective ownership interests. As of December 31, 2017, the Company and NLV owned 50.0% and 50.0%, respectively of the LLC equity interests of SLF. As of December 31, 2017, SLF had $100,000 in commitments from its members (in the aggregate), of which $19,000 was funded.

As of December 31, 2017, SLF had total assets at fair value of $41,641. As of December 31, 2017, SLF had zero portfolio company investments on non-accrual status. The portfolio companies in SLF are in industries and geographies similar to those in which the Company may invest directly. Additionally, as of

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

December 31, 2017, SLF had commitments to fund various undrawn revolvers and delayed draw investments to its portfolio companies totaling $2,083.

Below is a summary of SLF s portfolio, followed by a listing of the individual investments in SLF s portfolio as of December 31, 2017:

	As of December 31, 2017	
Senior secured loans[(1)]	31,521	
Weighted average current interest rate on senior secured loans[(2)]	7.1	%
Number of borrowers in SLF	8	

(1) At principal amount.

(2) Computed as the (a) annual stated interest rate on accruing senior secured loans divided by (b) total senior secured loans at principal amount.

MRCC SENIOR LOAN FUND I, LLC

SCHEDULE OF INVESTMENTS December 31, 2017

Portfolio Company[(a)]	Industry	Seniority	Interest Rate[(b)]	Principal	Fair Value
BMC Acquisition, Inc.[(c)]	Wholesale	Senior Secured	6.94%	5,000	$5,000
Clearent Holdings LLC and Clearent, LLC[(c)]	Banking, Finance, Insurance & Real Estate	Senior Secured	8.25%	1,056	1,045
Clearent Holdings LLC and Clearent, LLC[(c)]		Senior Secured	8.25%	1,257	1,244
			8.25%	208	

Clearent Holdings LLC and Clearent, LLC[(c)(d)]		Senior Secured			
Gigamon Inc[(c)]	High Tech Industries	Senior Secured	6.03%	3,000	2,985
Il Fornaio (America) Corporation	Beverage, Food & Tobacco	Senior Secured	8.07%	5,000	5,008
LegalZoom.com, Inc.[(c)]	Services: Consumer	Senior Secured	5.94%	2,000	2,005
Research Now Group, Inc. and Survey Sampling International, LLC[(d)]	Media: Diversified & Production	Senior Secured	7.13%	7,000	6,714
Solaray, LLC	Consumer Goods: Non-Durable	Senior Secured	8.02%	1,625	1,625
Solaray, LLC[(d)]		Senior Secured	8.02%	1,875	
US Salt, LLC[(c)]	Beverage, Food & Tobacco	Senior Secured	6.18%	3,500	3,500
TOTAL INVESTMENTS					$29,126

(a) All investments are U.S. companies.

(b) The majority of investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (LIBOR or L) or Prime Rate (Prime or P) which reset daily, quarterly or semiannually. The Compa has provided the spread over LIBOR or Prime and the current contractual rate of interest in effect at December 31, 2017. Certain investments are subject to a LIBOR or Prime interest rate floor.

(c) Investment position or portion thereof unsettled as of December 31, 2017.

(d) All or a portion of this commitment was unfunded as of December 31, 2017. Principal reflects the commitment outstanding.

As of December 31, 2017, the Company has committed to fund $50,000 of LLC equity interest subscriptions to SLF.

As of December 31, 2017, $9,500 of the Company s LLC equity interest subscriptions to

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MONROE CAPITAL CORPORATION

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

Note 3. Investments (continued)

SLF had been called and contributed. For the period from November 14, 2017 (commencement of operations) to December 31, 2017, the Company did not receive dividend income from the SLF LLC equity interests.

Below is certain summarized financial information for SLF as of and for the period ended December 31, 2017:

	December 31, 2017
Assets	
Investments, at fair value	$ 29,126
Cash	12,504
Interest receivable on investments	11
Total Assets	$ 41,641
Liabilities	
Payable for open trades	$ 22,304
Accounts payable and accrued expenses	57
Total Liabilities	22,361
Members' capital	19,280
Total liabilities and members' capital	$ 41,641

	Period from November 14, 2017 (commencement date) to December 31, 2017
Investment income:	
Interest income	$ 39
Total investment income	39
Expenses:	
Organizational costs	39
Professional fees	45
Total expenses	84
Net investment income (loss)	(45)
Net gain (loss) on investments:	

Net change in unrealized gain (loss) on investments		325
Net gain (loss) on investments		325
Net increase (decrease) in members' capital	$	280

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MONROE CAPITAL CORPORATION

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

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, with the exception of investments measured at fair value using net asset value (NAV), as of December 31, 2017 and 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;

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MONROE CAPITAL CORPORATION

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

Note 4. Fair Value Measurements (continued)

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.

In addition, for certain debt investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third-party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be willing to accept. The Company generally uses the midpoint of the bid/ask range as its best estimate of fair value of such investment.

MONROE CAPITAL CORPORATION

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

Note 4. Fair Value Measurements (continued)

Secured Borrowings

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

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

Fair Value Disclosures

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

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Investments:				
Senior secured loans	$	$	$ 387,874	$ 387,874
Unitranche loans			40,295	40,295
Junior secured loans			38,549	38,549
Equity securities			17,780	17,780
Investments measured at NAV(1)(2)				9,640
Total Investments	$	$	$ 484,498	$ 494,138
Secured borrowings	$	$	$	$

(1) Certain investments that are measured at fair value using the NAV have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities.

(2) Represents the Company s investment in LLC equity interests in SLF. The fair value of this investment has been determined using the NAV of the Company s ownership interest in members capital.

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	$	$	$ 412,920	$ 412,920
Secured borrowings	$	$	$ 1,314	$ 1,314

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

Note 4. Fair Value Measurements (continued)

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. Excluding loans on non-accrual, the contractual interest rates on the loans ranged between 6.57% to 15.00% at December 31, 2017 and 5.75% to 17.00% at December 31, 2016. The maturity dates on the loans outstanding at December 31, 2017 range between March 2018 and August 2025.

The following tables provide a reconciliation of the beginning and ending balances for investments and secured borrowings that use Level 3 inputs for the years ended December 31, 2017 and 2016:

	Investments Senior secured loans	Unitranche loans	Junior secured loans	Equity securities	Total investments	Secured borrowings
Balance as of December 31, 2016	$275,253	$51,638	$59,366	$26,663	$412,920	$1,314
Reclassifications[1]	(18,542)	15,747	382	2,413		
Net change in unrealized gain (loss) on investments	(6,668)	5,198	409	(12,199)	(13,260)	
Net realized gain (loss) on investments	41	(3,266)	7	2,779	(439)	
Purchases of investments and other adjustments to cost[2]	239,732	7,147	10,941	903	258,723	
Proceeds from principal payments and sales on investments[3]	(101,942)	(36,169)	(32,556)	(2,779)	(173,446)	
Net change in unrealized gain (loss) on secured borrowings						6
Repayments on secured borrowings						(1,254)
Net realized (gain) loss on secured borrowings						(66)
Balance as of December 31, 2017	$387,874	$40,295	$38,549	$17,780	$484,498	$

Investments Senior secured	Unitranche loans	Junior secured	Equity securities	Total investments	Secured borrowings

	loans		loans			
Balance as of December 31, 2015	$190,559	$68,090	$63,388	$19,054	$341,091	$2,476
Reclassifications[1]	3,270	(6,525)		3,255		
Net change in unrealized gain (loss) on investments	(65)	(2,056)	(751)	4,197	1,325	
Net realized gain (loss) on investments				587	587	
Purchases of investments and other adjustments to cost[2]	141,023	1,950	8,233	157	151,363	
Proceeds from principal payments and sales on investments[3]	(59,534)	(9,821)	(11,504)	(587)	(81,446)	
Net change in unrealized gain (loss) on secured borrowings						53
Proceeds from secured borrowings						
Repayments on secured borrowings						(1,215)
Balance as of December 31, 2016	$275,253	$51,638	$59,366	$26,663	$412,920	$1,314

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

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

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

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

Note 4. Fair Value Measurements (continued)

The total change in unrealized gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on investments for the year ended December 31, 2017, attributable to Level 3 investments still held at December 31, 2017 was ($16,283). The total change in unrealized gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on investments for the year ended December 31, 2016, attributable to Level 3 investments still held at December 31, 2016 was $1,884. The total change in gain (loss) included in the consolidated statements of operations within net change in unrealized gain (loss) on secured borrowings for the year ended December 31, 2016, attributable to Level 3 investments still held at December 31, 2016 was ($53). 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 years ended December 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 December 31, 2017 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Weighted Average Mean	Range Minimum	Maximum
Assets:						
Senior secured loans	$300,882	Discounted cash flow	EBITDA multiples	6.8x	3.8x	14.0x
			Market yields	11.6 %	8.1 %	23.5 %
Senior secured loans	15,654	Waterfall	Delinquency ratio	0.0 %	0.0 %	0.0 %
Senior secured loans	12,967	Discounted cash flow	Tangible book value	1.3x	1.2x	1.3x

			multiples			
			Market yields	14.5 %	10.3%	19.9 %
Senior secured loans	9,516	Discounted cash flow	Revenue multiples	4.0x	3.8x	4.3x
			Market yields	8.8 %	8.4 %	9.2 %
Senior secured loans	8,718	Enterprise value	EBITDA multiples	7.5x	6.0x	9.3x
Senior secured loans	8,516	Enterprise value	Revenue multiples	0.3x	0.3x	0.6x
Unitranche loans	40,000	Discounted cash flow	EBITDA multiples	6.2x	3.8x	8.5x
			Market yields	15.0 %	8.8 %	23.0 %
Unitranche loans	295	Enterprise value	EBITDA multiples	5.0x	4.5x	5.5x
Junior secured loans	5,625	Discounted cash flow	EBITDA multiples	9.1x	3.8x	10.3x
			Market yields	11.1 %	10.2%	14.0 %
Equity securities	8,429	Discounted cash flow	EBITDA multiples	4.0x	3.8x	4.3x
			Market yields	21.0 %	20.0%	22.0 %
Equity securities	5,892	Enterprise value	Revenue multiples	0.4x	0.4x	2.7x
Equity securities	1,767	Enterprise value	EBITDA multiples	6.8x	4.5x	9.0x
Equity securities	353	Enterprise value	Tangible book value multiples	1.3x	1.2x	1.3x
Total Level 3 Assets	**$418,614** [(1)]					
Liabilities:						
Secured Borrowings	$					

(1) Excludes loans of $65,884 at fair value where valuation (unadjusted) is obtained from a third-party pricing service for which such disclosure is not required.

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

Note 4. Fair Value Measurements (continued)

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 %
Unitranche loans	3,491	Combination of discounted cash flow and enterprise value	Revenue multiples	0.5x	0.5x	0.6x
			Market yields	29.2 %	29.2%	29.2 %
Unitranche loans	286	Enterprise value	EBITDA multiples	6.0x	5.5x	6.5x
Junior secured loans	18,572	Discounted cash flow	EBITDA multiples	7.5x	3.5x	9.5x
			Market yields	11.5 %	7.0 %	13.5 %
Junior secured loans		Enterprise value	Revenue multiples	0.6x	0.5x	0.6x
Equity securities	8,121	Discounted cash flow	EBITDA multiples	3.8x	3.5x	4.0x
			Market yields	17.0 %	16.0%	18.0 %
Equity securities	18,164	Enterprise value	EBITDA multiples	4.6x	3.3x	13.3x
Equity securities	249	Enterprise value		0.8x	0.1x	3.8x

			Revenue multiples			
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 or revenue 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 or revenue 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

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

Note 4. Fair Value Measurements (continued)

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 December 31, 2017 and 2016, the fair value of the Company s SBA debentures using Level 3 inputs were estimated at $109,520 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 an 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 years ended December 31, 2017 and 2016 were as follows:

Portfolio Company	Fair value at December 31, 2016	Transfers in (out)	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains (losses)	Net unrealized gains (losses)	Fair value at December 31, 2017
Non-controlled affiliate company investments[1]:									
American Community Homes, Inc.	$13,950	$	$647	$	$227	$72	$	$(1,576)	$13,320
Luxury Optical Holdings Co.[2]		3,970	808		171	8		(349)	4,608
Millennial Brands LLC (fka Rocket Dog Brands, LLC)	1,054		534		130	(1)		(1,167)	550
Rockdale Blackhawk, LLC[3]	27,077		4,161	(16)		200		(9,680)	21,742
SHI Holdings, Inc.	4,297		1,024			20		296	5,637
Summit Container Corporation	3,663		1,499	(102)	81	24		(237)	4,928
TPP Operating, Inc.[4]		8,868	1,047	(27)				(1,922)	7,966
Total non-controlled affiliate company investments	$50,041	$12,838	$9,720	$(145)	$609	$323	$	$(14,635)	$58,751
Controlled affiliate company investments[1]:									
MRCC Senior Loan Fund I, LLC	$	$	$9,500	$	$	$	$	$140	$9,640
TPP Operating, Inc.[5]	8,899	(8,868)	4,330	(972)				(3,389)	

Total controlled affiliate company investments	$8,899	$(8,868)	$13,830	$(972)	$	$	$	$(3,249)	$9,640

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

Note 5. Transactions with Affiliated Companies (continued)

	For the years ended December 31,					
	2017			2016		
Portfolio Company	Interest income	Dividend income	Fee income	Interest income	Dividend income	Fee income
Non-controlled affiliate company investments(1):						
American Community Homes, Inc.	$1,543	$	$	$1,444	$	$
Luxury Optical Holdings Co.	273					
Millennial Brands LLC (fka Rocket Dog Brands, LLC)	126			489		
Rockdale Blackhawk, LLC	2,175			1,827	3,546	
SHI Holdings, Inc.	509			96		36
Summit Container Corporation	704			655		
TPP Operating, Inc.	236					
Total non-controlled affiliate company investments	$5,566	$	$	$4,511	$3,546	$ 36
Controlled affiliate company investments(1):						
MRCC Senior Loan Fund I, LLC	$	$	$	$	$	$
TPP Acquisition Inc.				30		
TPP Operating, Inc.	594			110		
Total controlled affiliate company investments	$594	$	$	$140	$	$

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

(2) The Company provided a follow-on investment to Luxury Optical Holdings Co. (LOH) as a part of a restructuring during the twelve months ended December 31, 2017. As part of the restructuring, the Company also received 9.6% of the equity of LOH. For the purpose of this schedule, transfers in represents the fair value at June 30, 2017.

(3) The Company provided a follow-on investment to Rockdale Blackhawk, LLC (Rockdale) during the twelve months ended December 31, 2017. In conjunction with the follow-on investment, the Company also received an additional 6.4% of the equity of Rockdale, increasing total equity ownership to 18.0%.

(4) In December 2017, the Company transferred 16% of the equity interest in TPP Operating, Inc. shares to a wholly-owned entity, MCC Holdco Equity Manager I, LLC (MCC Holdco), which has an independent manager who has full control over the operations of MCC Holdco, including the right to vote the shares of TPP Holdco LLC, the holding company which owns the Company s equity interest in TPP Operating, Inc. As a result, the Company now only controls 24.0% of the voting interests in TPP Operating, Inc. and TPP Acquisition, Inc. is no longer considered a controlled affiliate company investment. For the purpose of this schedule, transfers in represents fair value at September 30, 2017. As of December 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 2018 revenue forecast and revenue multiple developed using comparable public and private company data.

(5) On September 2, 2016, TPP Acquisition, Inc. filed for bankruptcy as part of a restructuring process. The existing lenders, including the Company, submitted a credit bid to purchase certain assets of TPP Acquisition, Inc., which was approved by the bankruptcy court. The sale closed on November 8, 2016. A new operating company, TPP Operating, Inc., was formed to acquire certain of the assets of TPP Acquisition, Inc. and continue business operations. These new operations are no longer encumbered by significant lease liabilities. The Company owns 40% of the equity interests in the new operating company, TPP Operating, Inc. and owned 40.0% of the equity interests in TPP Acquisition, Inc., the former operating company, until its dissolution during the year ended December 31, 2017. During the bankruptcy period, the Company and the other existing lenders provided additional financing through a

MONROE CAPITAL CORPORATION

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

Note 5. Transactions with Affiliated Companies (continued)

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.

(6) The Company provided a follow-on investment to SHI Holdings, Inc. during the quarter ended December 31, 2016, including the purchase of equity. For the purpose of this schedule, transfers in represents the fair value at September 30, 2016.

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, which includes assets financed using leverage) and is payable in arrears. Base management fees for the years ended December 31, 2017, 2016, and 2015 were $7,726, $6,347 and $5,129 respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of pre-incentive fee net investment income for the immediately preceding quarter, subject to a 2% (8% annualized) preferred return, or hurdle, and a catch up feature. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of pre-incentive fee net investment income will be payable except to the extent that 20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters (the Incentive Fee Limitation). Therefore, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (1) 20% of the amount by which pre-incentive fee net investment income for such calendar quarter exceeds the 2% hurdle, subject to the catch-up provision, and (2) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding calendar quarters minus (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the cumulative net increase in net assets resulting from operations is the sum of pre-incentive fee net investment income, realized gains and losses and unrealized gains and losses for the then current and 11 preceding calendar quarters. The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20% of realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses on a cumulative basis and unrealized depreciation, less the aggregate amount of any previously paid capital gain incentive fees.

Incentive fees, excluding the impact of the incentive fee waiver, for the years ended December 31, 2017, 2016 and 2015 were $5,686, $5,777 and $4,685, respectively. Incentive fees for the year ended December 31, 2017, consisted of part one incentive fees of $5,861, which includes the effect of a $415 Incentive Fee Limitation as noted above, and part two incentive fees (based upon net realized and unrealized gains and losses, or capital gains) of ($175). Part two incentive fees reduced total incentive fees for the year ended December 31, 2017, primarily as a result of net unrealized losses during the period. Incentive fees for the year ended December 31, 2016, consisted of part one incentive fees (based on net investment income) of $5,602 and part two incentive fees (based upon net realized and unrealized gains and losses, or capital gains) of $175. Incentive fees for the year ended December 31, 2015, consisted solely of part one incentive fees (based on net investment income). The Company accrues, but does not pay, a capital gains incentive fee in connection with

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MONROE CAPITAL CORPORATION

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

Note 6. Transactions with Related Parties (continued)

any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gains (losses) plus net unrealized gain (loss) 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 gain (loss). For the years ended December 31, 2017, 2016 and 2015, MC Advisors waived part one incentive fees of $308, $273 and zero, respectively.

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 years ended December 31, 2017, 2016 and 2015, the Company incurred $3,439, $3,054 and $2,712, 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 $1,248, $1,287 and $1,078, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. As of December 31, 2017 and 2016, $322 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.

Note 7. Borrowings

Revolving Credit Facility: As of December 31, 2017, the Company had U.S. dollar borrowings of $105,200 and non-U.S. dollar borrowings denominated in Great Britain pounds of £8,800 ($11,892 in U.S. dollars) under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company s assets. The borrowings denominated in Great Britain pounds are translated into U.S. dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign currency borrowings is included in net change in unrealized gain (loss) on foreign currency borrowings in the Company s consolidated statements of operations. The borrowings denominated in Great Britain pounds may be positively or negatively affected by movements in the rate of exchange between the U.S. dollar and the Great Britain pound. These movements are beyond the control of the Company and cannot be predicted. As of December 31, 2016, the Company had U.S. dollar borrowings of $129,000 outstanding under the revolving credit facility. As of December 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 upsize 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

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

Note 7. Borrowings (continued)

borrow under the revolving credit facility is subject to availability under a defined borrowing base, which varies based on portfolio characteristics and certain eligibility criteria and concentration limits, as well as required valuation methodologies. The Company may make draws under the revolving credit facility to make or purchase additional investments through December 2019 and for general working capital purposes until the maturity date of the revolving credit facility. Borrowings under the revolving credit facility bear interest, at the Company s election, at an annual rate of LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% or at a daily rate equal to 2.00% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%. The LIBOR rate on the revolving credit facility was reduced to LIBOR plus 2.75% from LIBOR plus 3.00% in conjunction with the Company s capital raise on June 9, 2017, as net worth (excluding investments in MRCC SBIC) exceeded $225,000. In addition to the stated interest rate on borrowings under the revolving credit facility, the Company is required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing. As of December 31, 2017 and 2016, the outstanding borrowings were accruing at a weighted average interest rate of 4.4% and 3.8%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the years ended December 31, 2017, 2016 and 2015 was 4.2%, 3.6% and 3.6%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the years ended December 31, 2017, 2016 and 2015 was 0.5%, 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 revolving 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.

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Note 7. Borrowings (continued)

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 December 31, 2017, MRCC SBIC had $57,624 in leverageable capital and $109,520 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. As of December 31, 2017, the Company has made all required leverageable capital contributions to MRCC SBIC in order to access the remaining $5,480 in available SBA-guaranteed debentures.

As of December 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
September 2027	3.2 %	32,100
March 2028	2.5 %[1]	9,160
March 2028	2.6 %[1]	2,780
March 2028	2.7 %[1]	5,480
Total		$ 109,520

(1) Represents an interim rate of interest as the SBA-guaranteed debentures had not yet pooled.

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MONROE CAPITAL CORPORATION

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

Note 7. Borrowings (continued)

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 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 December 31, 2017, there were no secured borrowings. 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 years ended December 31, 2017, 2016 and 2015. During the years ended December 31, 2017, 2016 and 2015, repayments on secured borrowings totaled $1,254, $1,215 and $1,600, respectively. The weighted average interest rate on our secured borrowings was approximately zero and 6.3% as of December 31, 2017 and 2016, respectively.

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

	For the years ended December 31,		
	2017	2016	2015
Interest expense revolving credit facility	$ 4,771	$ 4,422	$ 3,290
Interest expense SBA guaranteed debentures	2,434	1,340	1,080
Amortization of deferred financing costs	1,042	820	742
Interest expense secured borrowings	34	123	198
Other	31	77	90
Total interest and other debt financing expenses	$ 8,312	$ 6,782	$ 5,400

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MONROE CAPITAL CORPORATION

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

Note 8. Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code. As a RIC, the Company is not taxed on any investment company taxable income or capital gains which it distributes to stockholders. The Company intends to distribute all of its investment company taxable income and capital gains annually. Accordingly, no provision for federal income tax has been made in the consolidated financial statements.

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts in accordance with GAAP and those differences could be material. These book-to-tax differences are either temporary or permanent in nature. Reclassifications due to permanent book-to-tax differences have no impact on net assets.

The following permanent differences were reclassified for tax purposes:

	For the years ended December 31,		
	2017	2016	2015
Increase (decrease) in capital in excess of par value	$(128)	$(3,547)	$
Increase (decrease) in undistributed net investment income (accumulated distributions in excess of net investment income)	124	3,547	
Increase (decrease) in accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions	4		

Taxable income generally differs from net increase (decrease) in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes unrealized gain (loss) on investments as investment gains and losses are not included in taxable income until they are realized.

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred after September 30, 2011 will not be subject to expiration. As of December 31, 2017 and 2016, the Company had capital loss carryforwards of $372 and zero, respectively.

The following table reconciles net increase in net assets resulting from operations to taxable income:

For the years ended December 31,		
2017	2016	2015

Net increase in net assets resulting from operations	$12,152	$24,365	$17,892
Net change in unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings	13,480	(1,272)	1,153
Other income for tax but not book	(3,000)	(907)	2,975
Other deductions for book in excess of deductions for tax	(175)	175	
Expenses not currently deductible	100	679	83
Net capital loss carryforward	372		
Total taxable income	$22,929	$23,040	$22,103

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MONROE CAPITAL CORPORATION

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

Note 8. Income Taxes (continued)

For income tax purposes, distributions paid to stockholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The following table provides the tax character of distributions paid:

	For the years ended December 31,		
	2017	2016	2015
Ordinary income	$ 26,458	$ 20,708	$ 16,410
Long-term capital gains	591		304
Total	$ 27,049	$ 20,708	$ 16,714

For federal income tax purposes, as of December 31, 2017, gross unrealized gain and gross unrealized loss on the investment portfolio was $13,144 and $26,586, respectively, and as of December 31, 2016, gross unrealized gain and gross unrealized loss on the investment portfolio was $24,157 and $24,479, respectively. As of December 31, 2017 and 2016, the aggregate cost of securities for federal income tax purposes was $507,580 and $413,242, respectively.

Note 9. Distributions

The Company s distributions are recorded on the record date. The following table summarizes dividends declared during the years ended December 31, 2017, 2016 and 2015, respectively:

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
Year ended December 31, 2017:								
March 7, 2017	March 17, 2017	March 31, 2017	$ 0.35	$ 5,549	16,217	$ 254		$
May 31, 2017	June 15, 2017	June 30, 2017	0.35	6,807	17,932	271		
August 31, 2017	September 15, 2017	September 29, 2017	0.35	7,084			6,508	93
December 1, 2017	December 15, 2017	December 29, 2017	0.35	7,084			20,832	294

Total distributions declared			$1.40	$26,524	34,149	$525	27,340	$387
Year ended December 31, 2016:								
March 4, 2016	March 15, 2016	March 31, 2016	$0.35	$4,553		$	20,144	$277
June 1, 2016	June 15, 2016	June 30, 2016	0.35	4,553			18,518	275
August 30, 2016	September 15, 2016	September 30, 2016	0.35	5,730	4,493	70		
November 30, 2016	December 15, 2016	December 30, 2016	0.35	5,734	4,369	68		
Total distributions declared			$1.40	$20,570	8,862	$138	38,662	$552
Year ended December 31, 2015:								
March 6, 2015	March 20, 2015	March 31, 2015	$0.35	$3,371		$	16,057	$238
June 2, 2015	June 15, 2015	June 30, 2015	0.35	4,357			19,023	281
September 1, 2015	September 15, 2015	September 30, 2015	0.35	4,432			18,300	264
November 30, 2015	December 15, 2015	December 30, 2015	0.35	4,554			19,615	255
Total distributions declared			$1.40	$16,714		$	72,995	$1,038

None of the distributions declared during the years ended December 31, 2017, 2016, and 2015 represented a return of capital for tax purposes.

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MONROE CAPITAL CORPORATION

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

Note 10. Stock Issuances and Repurchases

Stock Issuances: On February 6, 2015, the Company entered into an at-the-market (ATM) securities offering program with MLV & Co. LLC (MLV) and JMP Securities LLC (JMP) through which the Company could sell, by means of ATM offerings from time to time, up to $50,000 of the Company s common stock. During the year ended December 31, 2015, the Company sold 672,597 shares at an average price of $14.88 per share for gross proceeds of $10,007 under the ATM program. Aggregate underwriters discounts and commissions were $158 and offering costs were $83, resulting in net proceeds of approximately $9,766.

On April 20, 2015, the Company closed a public offering of 2,450,000 shares of its common stock at a public offering price of $14.85 per share, raising approximately $36,383 in gross proceeds. On May 18, 2015, the Company sold an additional 367,500 shares of its common stock, at a public offering price of $14.85 per share, raising approximately $5,457 in gross proceeds pursuant to the underwriters exercise of the over-allotment option. Aggregate underwriters discounts and commissions were $1,692 and offering costs were $295, resulting in net proceeds of $39,853 on these non-ATM program issuances during the year ended December 31, 2015.

On July 1, 2016, the Company amended the ATM securities offering program with MLV and JMP to replace MLV with FBR Capital Markets & Co. (FBR), an affiliate of MLV (the Prior ATM Program). On May 12, 2017, the Company entered into new equity distribution agreements with each FBR and JMP that reference the Company s current registration statement (the ATM Program). All other material terms of the Prior ATM Program remain unchanged under the ATM Program. During the year ended December 31, 2016, there were no stock issuances under the Prior ATM Program. During the year ended December 31, 2017, the Company sold 173,939 shares at an average price of $15.71 per share for gross proceeds of $2,732 under the Prior ATM Program and no shares were sold under the ATM Program. Aggregate underwriters discounts and commissions were $41 and offering costs were $23, resulting in net proceeds of approximately $2,668.

On July 25, 2016, the Company closed a public offering of 3,100,000 shares of common stock at a public offering price of $15.50 per share, raising approximately $48,050 in gross proceeds. On August 3, 2016, the Company sold an additional 465,000 shares of common stock, at a public offering price of $15.50 per share, raising approximately $7,208 in gross proceeds pursuant to the underwriters exercise of the over-allotment option. Aggregate underwriters discounts and commissions were $2,210 and offering costs were $528, resulting in net proceeds of $52,520.

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

Note 11. Commitments and Contingencies

Commitments: As of December 31, 2017 and 2016, the Company had $41,238 and $37,716, respectively, in outstanding commitments to fund investments under undrawn revolvers, capital expenditure loans and delayed draw commitments. As described in Note 3, the Company had commitments up to $40,500 to SLF as of December 31, 2017, that may be contributed primarily for the purpose of funding new investments approved by the SLF investment committee.

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MONROE CAPITAL CORPORATION

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

Note 11. Commitments and Contingencies (continued)

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.

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

Note 12. Financial Highlights

The financial highlights for the Company are as follows:

	For the years ended December 31, 2017	2016	2015	2014	2013
Per share data:					
Net asset value at beginning of year	$14.52	$14.19	$14.05	$13.92	$14.54
Net investment income(1)	1.40	1.55	1.60	1.57	1.13
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings(1)	(0.75)	0.13	(0.07)	(0.12)	0.15
Net increase in net assets from operations(1)	0.65	1.68	1.53	1.45	1.28
Stockholder distributions income	(1.40)	(1.40)	(1.40)	(1.36)	(1.15)
Stockholder distributions return of capital					(0.21)
Effect of share issuance above (below) NAV(2)		0.05			(0.57)
Effect of share repurchases(2)				0.04	0.03
Other(2)			0.01		
Net asset value at end of year	$13.77	$14.52	$14.19	$14.05	$13.92
Net assets at end of year	$278,699	$240,850	$184,535	$133,738	$138,092
Shares outstanding at end of year	20,239,957	16,581,869	13,008,007	9,517,910	9,918,269
Per share market value at end of year	$13.75	$15.38	$13.09	$14.46	$12.20
Total return based on market value(3)	(1.82)%	28.95%	(0.21)%	30.67%	(9.29)%
Total return based on average net asset value(4)	4.58%	11.70%	11.04%	10.34%	9.17%
Ratio/Supplemental data:					
Ratio of net investment income to average net assets(5)	9.80%	10.81%	11.56%	11.20%	7.71%
Ratio of total expenses, net of incentive fee waiver, to average net assets(5)	9.46%	10.81%	11.20%	11.03%	8.53%
Average debt outstanding	$179,500	$156,358	$119,860	$92,410	$42,103
Average debt outstanding per share	$9.64	$10.75	$10.26	$9.63	$5.52
Portfolio turnover	39.39%	22.41%	30.70%	47.03%	39.77%

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

(2) Includes the effect of share issuances above (below) net asset value and 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 year and certain per share data based on shares outstanding as of a period end or transaction date.

(3) 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.

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

Note 12. Financial Highlights (continued)

(4) 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.

(5) The following is a schedule of supplemental ratios for the years presented.

	2017	2016	2015	2014	2013
Ratio of interest and other debt financing expenses to average net assets	3.13%	3.26%	3.33%	3.23%	2.59%
Ratio of total expenses (without incentive fees) to average net assets	7.43%	8.17%	8.31%	8.42%	7.15%
Ratio of incentive fees, net of incentive fee waiver, to average net assets(6)	2.03%	2.64%	2.89%	2.61%	1.38%

(6) The ratio of waived incentive fees to average net assets was 0.12%, 0.13%, zero, zero and zero for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

Note 13. Subsequent Events

The Company has evaluated subsequent events through March 14, 2018, the date on which the consolidated financial statements were issued.

On March 1, 2018, the Board declared a quarterly distribution of $0.35 per share payable on March 30, 2018 to holders of record on March 16, 2018.

Note 14. Selected Quarterly Financial Data (unaudited)

	For the quarter ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total investment income	$13,364	$13,469	$12,268	$12,006
Net investment income	$6,995	$6,887	$6,088	$6,034
Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings	$(4,754)	$(569)	$(5,064)	$(3,465)
Net increase (decrease) in net assets resulting from operations	$2,241	$6,318	$1,024	$2,569

Net investment income per share basic and diluted	$0.35	$0.34	$0.35	$0.36
Net increase (decrease) in net assets resulting from operations per share basic and diluted	$0.11	$0.31	$0.06	$0.15
Net asset value per share at period end	$13.77	$14.01	$14.05	$14.34

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

Note 14. Selected Quarterly Financial Data (unaudited) (continued)

	For the quarter ended December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total investment income	$ 11,233	$ 11,128	$ 11,118	$ 11,539
Net investment income	$ 5,377	$ 5,583	$ 5,759	$ 5,787
Net gain (loss) on investments and secured borrowings	$ 2,155	$ (1,971)	$ (482)	$ 2,157
Net increase (decrease) in net assets resulting from operations	$ 7,532	$ 3,612	$ 5,277	$ 7,944
Net investment income per share basic and diluted	$ 0.32	$ 0.36	$ 0.44	$ 0.44
Net increase (decrease) in net assets resulting from operations per share basic and diluted	$ 0.45	$ 0.23	$ 0.41	$ 0.61
Net asset value per share at period end	$ 14.52	$ 14.42	$ 14.50	$ 14.45

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

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Monroe Capital Corporation

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% Notes due 2023

Prospectus Supplement

Ladenburg Thalmann **BB&T Capital Markets** **Janney Montgomery Scott**

B. Riley FBR **Oppenheimer & Co.** **William Blair**

National Securities Corporation **Wedbush Securities**

, 2018