MONROE CAPITAL Corp
Form 10-Q
May 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

Commission file number: 814-00866

MONROE CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Maryland	**27-4895840**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
311 South Wacker Drive, Suite 6400 Chicago, Illinois	**60606**
(Address of Principal Executive Office)	**(Zip Code)**

(312) 258-8300

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of May 8, 2015, the registrant had 12,082,361 shares of common stock, $0.001 par value, outstanding.

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Part I. Financial Information

Item 1. Consolidated Financial Statements

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(unaudited)

(in thousands, except per share data)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	$ 215,681	$ 210,318
Non-controlled affiliate company investments	30,289	16,596
Controlled affiliate company investments	6,677	6,621
Total investments, at fair value (cost of: $253,539 and $234,098, respectively)	252,647	233,535
Cash	8,641	5,737
Interest receivable	1,107	952
Deferred financing costs, net	2,669	2,479
Other assets	846	882
Total assets	265,910	243,585
LIABILITIES		
Revolving credit facility	87,700	82,300
SBA debentures payable	34,800	20,000
Secured borrowings, at fair value (proceeds of: $3,985 and $4,134, respectively)	3,819	4,008
Interest payable	116	244
Management fees payable	1,068	1,050
Incentive fees payable	1,042	1,140
Accounts payable and accrued expenses	1,438	1,105
Total liabilities	129,983	109,847
Net assets	$ 135,927	$ 133,738

Commitments and contingencies (See Note 10)

ANALYSIS OF NET ASSETS

Common stock, $0.001 par value, 100,000 shares authorized, 9,632 and 9,518 shares issued and outstanding, respectively	$	10		$	10	
Capital in excess of par value		136,487			134,803	
Undistributed net investment income (accumulated distributions in excess of net investment income)		157			(639	)
Accumulated net realized gain (loss) on investments		-			-	
Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings		(727	)		(436	)
Total net assets	$	135,927		$	133,738	
Net asset value per share	$	14.11		$	14.05	

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three months ended March 31, 2015	2014
Investment income:		
Interest income:		
Non-controlled/non-affiliate company investments	$ 7,341	$ 6,211
Non-controlled affiliate company investments	490	305
Controlled affiliate company investments	250	-
Total investment income	8,081	6,516
Operating expenses:		
Interest and other debt financing expenses	1,103	967
Base management fees	1,068	953
Incentive fees	1,042	917
Professional fees	238	191
Administrative service fees	271	201
General and administrative expenses	192	157
Total expenses	3,914	3,386
Net investment income	4,167	3,130
Net gain (loss) on investments and secured borrowings:		
Net realized gain (loss) on investments:		
Non-controlled/non-affiliate company investments	-	44
Net realized gain (loss) on investments	-	44
Net change in unrealized appreciation (depreciation) on investments:		
Non-controlled/non-affiliate company investments	(628)	(148)
Non-controlled affiliate company investments	283	698
Controlled affiliate company investments	15	-
Net change in unrealized appreciation (depreciation) on investments	(330)	550
Net change in unrealized (appreciation) depreciation on secured borrowings	39	(56)
Net gain (loss) on investments and secured borrowings	(291)	538

Net increase (decrease) in net assets resulting from operations	$ 3,876	$ 3,668
Per common share data:		
Net investment income per share - basic and diluted	$ 0.44	$ 0.32
Net increase in net assets resulting from operations per share - basic and diluted	$ 0.41	$ 0.38
Weighted average common shares outstanding - basic and diluted	9,562	9,761

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

(in thousands, except per share data)

	Common Stock		Capital in excess	Undistributed net investment income (accumulated distributions in excess of net	Accumulated net realized gain	Accumulated net unrealized appreciation (depreciation) on investments and	
	Number of shares	Par value	of par value	investment income)	(loss) on investments	secured borrowings	Total net assets
Balances at December 31, 2013	9,918	$ 10	$ 140,038	$ (2,985)	$ -	$ 1,029	$ 138,092
Net increase (decrease) in net assets resulting from operations	-	-	-	3,130	44	494	3,668
Stockholder distributions paid - income distributions	-	-	-	(3,260)	(44)	-	(3,304)
Repurchases of common stock	(262)	-	(3,388)	-	-	-	(3,388)
Balances at March 31, 2014	9,656	$ 10	$ 136,650	$ (3,115)	$ -	$ 1,523	$ 135,068
Balances at December 31, 2014	9,518	$ 10	$ 134,803	$ (639)	$ -	$ (436)	$ 133,738
Issuance of common stock, net of offering and underwriting costs	114	-	1,684	-	-	-	1,684
Net increase (decrease) in net assets resulting from operations	-	-	-	4,167	-	(291)	3,876
Stockholder distributions paid - income distributions	-	-	-	(3,371)	-	-	(3,371)
Balances at March 31, 2015	9,632	$ 10	$ 136,487	$ 157	$ -	$ (727)	$ 135,927

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Three months ended March 31,	
	2015	**2014**
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	$ 3,876	$ 3,668
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized (appreciation) depreciation on investments	330	(550)
Net change in unrealized appreciation (depreciation) on secured borrowings	(39)	56
Net realized (gain) loss on investments	-	(44)
Payment-in-kind interest income	(530)	(130)
Net accretion of discounts and amortization of premiums	(198)	(161)
Proceeds from principal payments and sales of investments	17,698	20,126
Purchases of investments	(36,412)	(35,991)
Amortization of deferred financing costs	167	133
Changes in operating assets and liabilities:		
Receivable for open trades	-	(2,734)
Interest receivable	(155)	(184)
Other assets	36	8
Payable for open trades	-	918
Interest payable	(128)	(127)
Management fees payable	18	108
Incentive fees payable	(98)	56
Accounts payable and accrued expenses	333	98
Net cash provided by (used in) operating activities	(15,102)	(14,750)
Cash flows from financing activities:		
Borrowings on credit facility	20,400	26,500
Repayments of credit facility	(15,000)	(8,000)
SBA debentures borrowings	14,800	-
Payments of deferred financing costs	(357)	-
Repayments on secured borrowings	(150)	(1,818)
Repurchases of common stock	-	(3,836)

Proceeds from shares sold, net of underwriting costs	1,684	-
Stockholder distributions paid	(3,371)	(3,304)
Net cash provided by (used in) financing activities	18,006	9,542
Net increase (decrease) in cash	2,904	(5,208)
Cash, beginning of period	5,737	14,603
Cash, end of period	$ 8,641	$ 9,395
Supplemental disclosure of cash flow information:		
Cash interest paid during the period	$ 977	$ 844

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

(unaudited)

March 31, 2015

(in thousands, except for units)

Portfolio Company [a]	Industry	Spread Above Index [b]	Interest Rate	Maturity	Principal	Amortized Cost	
Senior Secured Loans							
Alora Pharmaceuticals, LLC [e]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	$ 10,852	$ 10,670	$
Alora Pharmaceuticals, LLC (Revolver) [f]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	1,336	-	
American Community Homes, Inc. [g]	Banking, Finance, Insurance & Real Estate	L+8.00%	9.50%	7/22/2019	6,667	6,513	
American Community Homes, Inc. [g]	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/4.50% PIK	7/22/2019	3,404	3,327	
BCC Software, LLC [h]	High Tech Industries	L+8.00%	9.00%	6/20/2019	2,944	2,905	
BCC Software, LLC (Revolver) [f]	High Tech Industries	L+8.00%	9.00%	6/20/2019	469	-	
BookIt Operating LLC [i]	Hotels, Gaming & Leisure	L+12.50%	14.00%	1/10/2019	5,505	5,383	
Cornerstone Detention Products, Inc. [j]	Construction & Building	L+10.50%	10.50% Cash/1.00% PIK	4/8/2019	4,552	4,476	
Cornerstone Detention Products, Inc. (Revolver) [f]	Construction & Building	L+9.50%	10.50%	4/8/2019	400	-	
Cytovance Biologics, Inc. [h]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	10/24/2019	2,000	1,954	

Cytovance Biologics, Inc. (Revolver) (f)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	10/24/2019	1,143	686
Cytovance Biologics, Inc. (Capex) (f)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	10/24/2019	1,143	-
Diesel Direct Holdings, Inc. (h)	Energy: Oil & Gas	L+9.00%	10.00%	2/17/2020	5,466	5,362
EB Employee Solutions, LLC (h)	Services: Business	L+8.50%	10.00%	2/28/2019	3,667	3,587
Fineline Technologies, Inc.	Consumer Goods: Non-Durable	L+6.75%	8.00%	5/6/2017	5,080	5,078
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/2.25% PIK (p)	12/20/2018	4,375	4,288
Landpoint, LLC (Revolver) (f)	Energy: Oil & Gas	L+10.50%	12.00%	12/20/2018	313	-
L.A.R.K. Industries, Inc.	Construction & Building	L+10.00%	11.50%	9/3/2019	6,905	6,751
Luxury Optical Holdings Co.	Retail	L+9.00%	9.00% Cash/1.00% PIK	9/12/2019	4,002	3,929
Luxury Optical Holdings Co. (Revolver) (f)	Retail	L+8.00%	9.00%	9/12/2019	273	-
Miles Media Group LLC	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	3,960	3,887
Miles Media Group LLC (Delayed Draw) (f) (k)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	1,600	-
Miles Media Group LLC (Revolver) (f)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	320	-
O'Brien Industrial Holdings, LLC	Metals & Mining	L+11.50%	11.00% Cash/2.00% PIK	5/13/2019	6,600	6,460
O'Brien Industrial Holdings, LLC (Revolver)(f)	Metals & Mining	L+9.50%	11.00%	5/13/2019	2,844	305
PD Products, LLC	Consumer Goods: Non-Durable	L+13.00%	12.00% Cash/2.50% PIK	10/4/2018	13,118	12,981
PD Products, LLC (Revolver) (f)	Consumer Goods: Non-Durable	L+13.00%	12.00% Cash/2.50% PIK	10/4/2018	2,500	1,240
Precision Toxicology, LLC (h)	Healthcare & Pharmaceuticals	L+8.00%	8.00% Cash/1.00% PIK	3/24/2020	5,500	5,390
Precision Toxicology, LLC (Revolver) (f)	Healthcare & Pharmaceuticals	L+8.00%	8.00% Cash/1.00% PIK	3/24/2020	635	-
Rockdale Blackhawk, LLC (g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	12,850	11,611
Rockdale Blackhawk, LLC (Revolver) (f) (g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	1,849	650
Rockdale Blackhawk, LLC (Capex) (f) (g)	Healthcare & Pharmaceuticals	L+11.00%	12.00%	3/31/2020	2,311	-
Rocket Dog Brands LLC (g)	Consumer Goods: Non-Durable	n/a	10.00%	5/2/2019	1,007	1,007

SHI Holdings, Inc. (h)	Healthcare & Pharmaceuticals	L+9.25%	9.43%	7/10/2019	2,887	2,825
SHI Holdings, Inc. (Revolver)(f)	Healthcare & Pharmaceuticals	L+9.25%	9.43%	7/10/2019	818	354
SNI Companies (l)	Services: Business	L+10.00%	11.00%	12/31/2018	7,806	7,656
SNI Companies (Revolver) (f)	Services: Business	L+10.00%	11.00%	12/31/2018	1,250	488
Summit Container Corporation (g) (h)	Containers, Packaging & Glass	L+9.00%	11.00%	1/6/2019	3,750	3,669
The Sandbox Group LLC (h)	Media: Advertising, Printing & Publishing	L+10.00%	9.00% cash/2.00% PIK	2/23/2020	5,511	5,376
The Sandbox Group LLC (Revolver) (f)	Media: Advertising, Printing & Publishing	L+10.00%	9.00% cash/2.00% PIK	2/23/2020	1,250	1,002
TRG, LLC	Hotels, Gaming & Leisure	L+17.92%	11.00% cash/7.92% PIK (q)	12/23/2019	3,021	2,964
TRG, LLC (Revolver) (f)	Hotels, Gaming & Leisure	L+12.00%	13.00%	12/23/2019	131	66
TRG, LLC (Delayed Draw) (f) (k)	Hotels, Gaming & Leisure	L+12.00%	13.00%	12/23/2019	790	-
West World Media, LLC	Media: Diversified & Production	L+11.00%	9.00% Cash/3.00% PIK	5/8/2019	7,763	7,623
Yandy Holding, LLC	Retail	L+9.00%	10.00%	9/30/2019	6,500	6,410
Yandy Holding, LLC (Revolver)(f)	Retail	L+9.00%	10.00%	9/30/2019	906	-
Total Senior Secured Loans					167,973	146,873
Unitranche Loans						
Accutest Corporation	Services: Business	L+7.50%	9.00%	6/5/2018	7,223	7,043
Collaborative Neuroscience Network, LLC (n)	Healthcare & Pharmaceuticals	L+11.50%	13.00%	12/27/2017	8,057	7,941
Conisus, LLC	Media: Advertising, Printing & Publishing	L+7.00%	8.25%	12/27/2017	10,660	10,433
Consolidated Glass Holdings, Inc.	Capital Equipment	L+12.50%	11.50% Cash/2.00% PIK	4/17/2017	3,664	3,664
Escort Holdings Corp.	Consumer Goods: Durable	L+9.00%	9.50%	10/7/2018	14,711	14,494
Fabco Automotive Corporation	Automotive	L+9.25%	10.25%	4/3/2017	8,062	8,008
	Wholesale	L+12.05%	11.00% Cash/2.55% PIK (r)	5/7/2019	5,433	5,304

Gracelock Industries, LLC						
Incipio Technologies, Inc. (h)	Consumer Goods: Non-Durable	L+6.00%	7.00%	12/26/2019	5,500	5,368
MooreCo, Inc.	Consumer Goods: Durable	L+13.50%	12.50% Cash/2.50% PIK	12/27/2017	4,634	4,567
Output Services Group, Inc.	Services: Business	L+10.00%	10.50% cash/1.00% PIK	12/17/2018	6,599	6,302
Output Services Group, Inc.	Services: Business	L+10.00%	10.50% cash/1.00% PIK	12/17/2018	7,366	7,387
Playtime, LLC (n)	Hotels, Gaming & Leisure	L+7.50%	9.00%	12/4/2017	6,127	6,055
TPP Acquisition, Inc. (m)	Retail	L+11.00%	10.50% Cash/2.00% PIK	12/17/2017	6,732	6,643
Total Unitranche Loans					94,768	93,209

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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

(unaudited)

March 31, 2015

(in thousands, except for units)

Portfolio Company [(a)]	Industry	Spread Above Index [(b)]	Interest Rate	Maturity	Principal	Amortized Cost	Fair Value [(c)]	% o Net Asse [(d)]
Junior Secured Loans								
Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25%	5/8/2019	3,593	3,570	3,594	2.7
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.75%	7/3/2021	3,000	2,991	2,782	2.0
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+8.50%	9.75%	7/1/2020	3,000	2,977	3,005	2.2
Rocket Dog Brands LLC [(g)]	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/2/2020	1,497	1,497	1,389	1.0
Total Junior Secured Loans					11,090	11,035	10,770	7.9
Equity Securities								
American Community Homes, Inc. (warrant to purchase up to 10.0% of the equity) [(g)]	Banking, Finance, Insurance & Real Estate	-	-	10/9/2024	-	-	214	0.2
BookIt Operating LLC (warrant to purchase up to 4.2% of the equity) [(o)]	Hotels, Gaming & Leisure	-	-	12/21/2023	-	-	653	0.5
Collaborative Neuroscience Network,	Healthcare & Pharmaceuticals	-	-	12/27/2022	-	-	-	0.0

LLC (warrant to purchase up to 1.67 LLC units) (o)								
Monte Nido Residential Center, LLC - Class A Units Common Units (1,762 units) (o)	Services: Consumer	-	-	-	-	74	74	0.1
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) (o)	Metals & Mining	-	-	5/13/2024	-	-	-	0.0
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) (o)	Services: Business	-	-	12/17/2022	-	-	894	0.7
Playtime, LLC - Preferred Units (8,665 units) (o)	Hotels, Gaming & Leisure	-	-	-	-	200	81	0.1
Rocket Dog Brands LLC - Common Units (75,502 units) (g)	Consumer Goods: Non-Durable	-	-	-	-	-	-	0.0
Rocket Dog Brands LLC - Preferred Units (10 units) (g)	Consumer Goods: Non-Durable	-	15.00% PIK (s)	-	-	967	40	0.0
Rockdale Blackhawk, LLC - LLC Units (11.56% of the LLC interest) (g)	Healthcare & Pharmaceuticals	-	-	-	-	1,093	1,093	0.8
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) (g)	Containers, Packaging & Glass	-	-	1/6/2024	-	-	421	0.3
The Sandbox Group LLC (warrant to purchase up to 1.0% of the equity) (o)	Media: Advertising, Printing & Publishing	-	-	-	-		271	0.2
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units) (o)	Retail	-	-	-	-	87	110	0.1
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units) (o)	Retail	-	-	-	-	1	-	0.0
TPP Acquisition, Inc. (829 shares of common stock) (m)	Retail	-	-	-	-	-	201	0.0
Total Equity Securities					-	2,422	4,052	3.0

TOTAL INVESTMENTS	$253,539	$252,647	185

(a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940. All investments are non-controlled/non-affiliate company investments, 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 ("P") which reset daily, monthly, quarterly, or semiannually. For each the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at March 31, 2015. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

(d) Percentages are based on net assets of $135,927 as of March 31, 2015.

(e) A portion of this loan (principal of $4,479) 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 March 31, 2015. As such, interest is earned only on the funded portion of this commitment.

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

(h) 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 $2,861) 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 this loan (principal of $2,731) is held in the Company's wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company's revolving credit facility.

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

(l) A portion of this loan (principal of $5,007) 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.

(m) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and "Control" this portfolio company as it owns 25% 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 which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control.

(n) 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.

(o) Represents less than 5% ownership of the class and the portfolio company.

(p) The PIK portion of the interest rate for Landpoint, LLC is structured as a guaranteed fee paid upon the termination of the commitment. The fee accrues at 2.25% per annum and is subject to a minimum payment upon termination of $338.

(q) A portion of the PIK interest rate for TRG, LLC is structured as a guaranteed fee paid upon the termination of the commitment. The fee accrues at 5.92% per annum and is subject to an estimated minimum payment upon termination of $891.

(r) The PIK portion of the interest rate for Gracelock Industries, LLC is structured as a fee paid upon the termination of the commitment. The fee accrues at 2.55% per annum.

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

n/a - not applicable

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014

(in thousands, except for units)

Portfolio Company [(a)]	**Industry**	**Spread Above Index** [(b)]	**Interest Rate**	**Maturity**	**Principal**	**Amortized Cost**	**Fair Value** [(c)]	**% of Net Assets** [(d)]
Senior Secured Loans								
Alora Pharmaceuticals, LLC [(e)]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	$11,282	$11,082	$11,277	8.4
Alora Pharmaceuticals, LLC (Revolver) [(f)]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	1,336	-	-	0.0
American Community Homes, Inc. [(g)]	Banking, Finance, Insurance & Real Estate	L+8.00%	9.50%	7/22/2019	6,667	6,506	6,577	4.9
American Community Homes, Inc. [(g)]	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/4.50% PIK	7/22/2019	3,366	3,286	3,404	2.5
BCC Software, LLC [(h)]	High Tech Industries	L+8.00%	9.00%	6/20/2019	2,962	2,922	2,973	2.2
BCC Software, LLC (Revolver) [(f)]	High Tech Industries	L+8.00%	9.00%	6/20/2019	469	-	-	0.0
BookIt Operating LLC [(i)]	Hotels, Gaming & Leisure	L+14.50%	14.00% Cash/2.00% PIK	1/10/2019	5,655	5,525	5,477	4.1
Cornerstone Detention Products, Inc. [(j)]	Construction & Building	L+9.50%	9.50% Cash/1.00% PIK	4/8/2019	4,663	4,581	4,633	3.5
Cornerstone Detention Products, Inc. (Revolver) [(f)]	Construction & Building	L+8.50%	9.50%	4/8/2019	400	-	-	0.0
Cytovance Biologics, Inc. [(h)]	Healthcare & Pharmaceuticals	L+9.00%	10.00%	10/24/2019	2,000	1,952	1,995	1.5
		L+9.00%	10.00%	10/24/2019	1,143	286	286	0.2

Cytovance Biologics, Inc. (Revolver) (f)	Healthcare & Pharmaceuticals							
Cytovance Biologics, Inc. (Capex) (f)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	10/24/2019	1,143	-	-	0.0
EB Employee Solutions, LLC (h)	Services: Business	L+8.50%	10.00%	2/28/2019	3,950	3,860	3,930	2.9
Fineline Technologies, Inc.	Consumer Goods: Non-Durable	L+6.75%	8.00%	5/6/2017	5,188	5,186	5,234	3.9
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/2.25% PIK (p)	12/20/2018	4,750	4,650	4,698	3.5
Landpoint, LLC (Revolver) (f)	Energy: Oil & Gas	L+10.50%	12.00%	12/20/2018	313	-	-	0.0
L.A.R.K. Industries, Inc.	Construction & Building	L+10.00%	11.50%	9/3/2019	6,993	6,827	7,004	5.2
Luxury Optical Holdings Co.	Retail	L+9.00%	9.00% Cash/1.00% PIK	9/12/2019	4,002	3,926	4,000	3.0
Luxury Optical Holdings Co. (Revolver) (f)	Retail	L+8.00%	9.00%	9/12/2019	273	-	-	0.0
Miles Media Group LLC	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	3,980	3,904	3,996	3.0
Miles Media Group LLC (Delayed Draw) (f) (k)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	1,600	-	-	0.0
Miles Media Group LLC (Revolver) (f)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019	320	160	160	0.1
O'Brien Industrial Holdings, LLC	Metals & Mining	L+11.50%	11.00% Cash/2.00% PIK	5/13/2019	6,567	6,420	6,563	4.9
O'Brien Industrial Holdings, LLC (Revolver)(f)	Metals & Mining	L+9.50%	11.00%	5/13/2019	2,844	-	-	0.0
Pacific Labs, LLC (h)	Healthcare & Pharmaceuticals	L+10.50%	11.50%	10/28/2019	5,466	5,346	5,493	4.1
Pacific Labs, LLC (Delayed Draw) (k)	Healthcare & Pharmaceuticals	L+10.50%	11.50%	10/28/2019	1,833	-	-	0.0
PD Products, LLC	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018	13,126	12,979	13,093	9.8
PD Products, LLC (Revolver)(f)	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018	2,500	1,225	1,224	0.9
Rocket Dog Brands LLC (g)	Consumer Goods: Non-Durable	n/a	10.00%	5/2/2019	1,007	1,007	1,007	0.8
SHI Holdings, Inc. (h)	Healthcare & Pharmaceuticals	L+9.25%	9.42%	7/10/2019	2,925	2,858	2,919	2.2
		L+9.25%	9.42%	7/10/2019	818	355	355	0.3

SHI Holdings, Inc. (Revolver)(f)	Healthcare & Pharmaceuticals							
SNI Companies (l)	Services: Business	L+8.00%	9.00%	12/31/2018	6,072	5,953	6,075	4.5
SNI Companies (Revolver) (f)	Services: Business	L+8.00%	9.00%	12/31/2018	1,250	750	750	0.6
Summit Container Corporation (g) (h)	Containers, Packaging & Glass	L+9.00%	11.00%	1/6/2019	3,800	3,712	3,838	2.9
TRG, LLC	Hotels, Gaming & Leisure	L+17.92%	11.00% Cash/7.92% PIK (q)	12/23/2019	3,010	2,950	2,950	2.2
TRG, LLC (Revolver) (f)	Hotels, Gaming & Leisure	L+10.00%	11.00%	12/23/2019	131	-	-	0.0
TRG, LLC (Delayed Draw) (f) (k)	Hotels, Gaming & Leisure	L+10.00%	11.00%	12/23/2019	790	-	-	0.0
West World Media, LLC	Media: Diversified & Production	L+11.00%	9.00% Cash/3.00% PIK	5/8/2019	7,743	7,599	7,747	5.8
Yandy Holding, LLC	Retail	L+9.00%	10.00%	9/30/2019	6,500	6,406	6,503	4.9
Yandy Holding, LLC (Revolver)(f)	Retail	L+9.00%	10.00%	9/30/2019	907	-	-	0.0
Total Senior Secured Loans					139,744	122,213	124,161	92.8
Unitranche Loans								
Accutest Corporation	Services: Business	L+7.50%	9.00%	6/5/2018	7,435	7,243	6,952	5.2
Collaborative Neuroscience Network, LLC (n)	Healthcare & Pharmaceuticals	L+11.50%	13.00%	12/27/2017	8,057	7,936	7,602	5.7
Conisus, LLC	Media Advertising, Printing & Publishing	L+7.00%	8.25%	12/27/2017	10,660	10,412	10,628	7.9
Consolidated Glass Holdings, Inc.	Capital Equipment	L+12.50%	11.50% Cash/2.00% PIK	4/17/2017	3,645	3,645	3,665	2.7
Escort Holdings Corp.	Consumer Goods: Durable	L+9.00%	9.50%	10/7/2018	14,711	14,487	14,630	10.9
Fabco Automotive Corporation	Automotive	L+9.25%	10.25%	4/3/2017	8,062	8,005	5,482	4.1
FTJFundChoice, LLC	Banking, Finance, Insurance & Real Estate	L+10.00%	11.50%	7/17/2017	3,000	3,000	3,060	2.3
Gracelock Industries, LLC	Wholesale	L+12.05%	11.00% Cash/2.55% PIK (r)	5/7/2019	5,604	5,466	5,624	4.2
Incipio Technologies, Inc. (h)	Consumer Goods:	L+6.00%	7.00%	12/26/2019	5,500	5,363	5,362	4.0

	Non-Durable							
MooreCo, Inc.	Consumer Goods: Durable	L+13.50%	12.50% Cash/2.50% PIK	12/27/2017	4,605	4,532	4,651	3.5
Output Services Group, Inc.	Services: Business	L+10.00%	10.50% cash/1.00% PIK	12/17/2018	11,929	11,696	11,911	8.9
Playtime, LLC (n)	Hotels, Gaming & Leisure	L+7.50%	9.00%	12/4/2017	6,277	6,197	5,540	4.1
The Tie Bar Operating Company, LLC	Retail	L+8.50%	9.75%	6/25/2018	5,100	4,995	5,108	3.8
TPP Acquisition, Inc. (m)	Retail	L+13.00%	12.50% Cash/2.00% PIK	12/17/2017	6,698	6,603	6,420	4.8
Total Unitranche Loans					101,283	99,580	96,635	72.1

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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS – (continued)

December 31, 2014

(in thousands, except for units)

Portfolio Company [a]	**Industry**	**Spread Above Index [b]**	**Interest Rate**	**Maturity**	**Principal**	**Amortized Cost**	**Fair Value [c]**	**% of Net Assets [d]**
Junior Secured Loans								
Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25%	5/8/2019	3,594	3,569	3,593	2.7
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.75%	7/3/2021	3,000	2,990	2,900	2.2
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+8.50%	9.75%	7/1/2020	3,000	2,973	2,940	2.2
Rocket Dog Brands LLC [g]	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/2/2020	1,444	1,444	1,370	1.0
Total Junior Secured Loans					11,038	10,976	10,803	8.1
Equity Securities								
American Community Homes, Inc. (warrant to purchase up to 10.0% of the equity) [g]	Banking, Finance, Insurance & Real Estate	-	-	10/9/2024	-	-	182	0.1
BookIt Operating LLC (warrant to purchase up to 4.2% of the equity) [o]	Hotels, Gaming & Leisure	-	-	12/21/2023	-	-	436	0.3
Collaborative Neuroscience Network, LLC (warrant to purchase up to 1.67	Healthcare & Pharmaceuticals	-	-	12/27/2022	-	-	2	0.0

LLC units) (o)								
Monte Nido Residential Center, LLC - Class A Units Common Units (1,762 units) (o)	Services: Consumer	-	-	-	-	74	74	0.1
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) (o)	Metals & Mining	-	-	5/13/2024	-	-	-	0.0
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) (o)	Services: Business	-	-	12/17/2022	-	-	617	0.5
Playtime, LLC - Preferred Units (8,665 units) (o)	Hotels, Gaming & Leisure	-	-	-	-	200	96	0.1
Rocket Dog Brands LLC - Common Units (75,502 units) (g)	Consumer Goods: Non-Durable	-	-	-	-	-	-	0.0
Rocket Dog Brands LLC - Preferred Units (10 units) (g)	Consumer Goods: Non-Durable	-	15.00% PIK (s)	-	-	967	77	0.1
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) (g)	Containers, Packaging & Glass	-	-	1/6/2024	-	-	141	0.1
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units) (o)	Retail	-	-	-	-	87	110	0.1
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units) (o)	Retail	-	-	-	-	1	-	0.0
TPP Acquisition, Inc. (829 shares of common stock) (m)	Retail	-	-	-	-	-	201	0.0
Total Equity Securities					-	1,329	1,936	1.4
TOTAL INVESTMENTS						$234,098	$233,535	174.4

(a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940. All investments are non-controlled/non-affiliate company investments, 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 ("P") which reset daily, monthly, quarterly, or semiannually. For each the

Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 31, 2014. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

(d) Percentages are based on net assets of $133,738 as of December 31, 2014.

(e) A portion of this loan (principal of $4,656) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(f) All or a portion of this commitment was unfunded at December 31, 2014. As such, interest is earned only on the funded portion of this commitment.

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

(h) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(i) A portion of this loan (principal of $2,939) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(j) A portion of this loan (principal of $2,798) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

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

(l) A portion of this loan (principal of $3,238) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(m) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" of and "Control" this portfolio company as it owns 25% 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 which the issuer was both an Affiliated Person and a portfolio company that the Company is deemed to Control.

(n) 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. (See Note 7 in the accompanying notes to the consolidated financial statements.)

(o) Represents less than 5% ownership of the class and the portfolio company.

(p) The PIK portion of the interest rate for Landpoint, LLC is structured as a guaranteed fee paid upon the termination of the commitment. The fee accrues at 2.25% per annum and is subject to a minimum payment upon termination of $338.

(q) A portion of the PIK interest rate for TRG, LLC is structured as a guaranteed fee paid upon the termination of the commitment. The fee accrues at 5.92% per annum and is subject to an estimated minimum payment upon termination of $891.

(r) The PIK portion of the interest rate for Gracelock Industries, LLC is structured as a fee paid upon the termination of the commitment. The fee accrues at 2.55% per annum.

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

n/a - not applicable

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in thousands, except share and per share data)

Note 1. Organization and Principal Business

Monroe Capital Corporation ("Monroe Capital" and together with its subsidiaries, the "Company") was formed in February 2011 to act as an externally-managed nondiversified, 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) 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 6, 2015, the Company entered into an at-the-market ("ATM") program with MLV & Co. LLC and JMP Securities LLC through which the Company may sell, by means of ATM offerings from time to time, up to $50,000 of the Company's common stock. 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. The Company also granted the underwriters a 30-day option to purchase up to an additional 367,500 shares of common stock to cover over-allotments, if any.

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 Company Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of March 31, 2015, MRCC SBIC had $20,000 in regulatory and leveragable capital and $34,800 in SBA-guaranteed debentures outstanding.

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").

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, in its consolidated financial statements beginning with the commencement of their operations in September 2013.

Fair Value of Financial Instruments

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

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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 available. The Company believes that the carrying value of its revolving credit facility approximates the fair value.

Revenue Recognition

The Company’s revenue recognition policies are as follows:

Investments and related investment income: Interest and dividend income is recorded on the accrual basis to the extent that the Company expects to collect such amounts. Interest and dividend 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 interest income in the period earned. For the three months ended March 31, 2015 and 2014, interest income included $567 and $197 of prepayment and amendment fees, respectively. Dividend income is recorded as dividends when declared or at the point an obligation exists for the portfolio company to make a distribution. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

Loan origination fees, original issue discount and market discount or premiums are capitalized, and the Company then amortizes such amounts using the effective interest method as interest income over the life of the investment. Unamortized discounts and loan origination fees totaled $5,224 and $4,002 as of March 31, 2015 and December 31, 2014, respectively. Upfront loan origination and closing fees received for the three months ended March 31, 2015 and 2014 totaled $918 and $760, respectively. For the three months ended March 31, 2015 and 2014, interest income included $198 and $161 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. Upon the prepayment of a loan or debt security, any unamortized premium or discount or loan origination fees are recorded as interest income. For the three months ended March 31, 2015 and 2014, interest income included $267 and $229 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, 2015 and 2014, interest income included $530 and $130 of PIK interest, respectively. The Company stops accruing PIK interest when it is determined that PIK interest is no longer collectible. To maintain RIC tax treatment, and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

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

Non-accrual: Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. 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. During the three months ended March 31, 2015 and 2014, no loans were on non-accrual status. During the three months ended June 30, 2014, the Company's investments in one portfolio company were restructured and as part of the restructuring the Company received preferred units with a stated PIK interest rate. These preferred units were placed on non-accrual status at the time of the restructuring and remain on non-accrual status. There were no other portfolio company investments on non-accrual status for the three months ended March 31, 2015 and 2014.

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

Distributions

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

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

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

Earnings per Share

In accordance with the provisions of ASC Topic 260 — “*Earnings per Share”* (“ASC Topic 260”), basic earnings per share is computed by dividing earnings available to common shareholders 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 under the ATM program 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 issuances and repurchases. 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.

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, 2015 and December 31, 2014, the Company had deferred financing costs of $2,669 and $2,479, respectively. 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, 2015 and 2014, was $167 and $133, 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, 2015 and December 31, 2014, other assets on the consolidated statements of assets and liabilities included $402 and $341, respectively, of deferred offering costs which will be charged against the proceeds from further equity offerings when received.

Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to shareholders, 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 shareholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no federal income taxes. To the extent that the Company determines that its estimated current year annual taxable income may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, calculated as 4% of the estimated excess taxable income as taxable income is earned. For the three months ended March 31, 2015 and 2014, $3 and zero was recorded within general and administrative expenses for U.S. federal excise tax, respectively.

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, 2015. The 2014, 2013 and 2012 tax years remain subject to examination by U.S. federal and state tax authorities.

Recent Accounting Pronouncements

In February 2015, the FASB issued Accounting Standards Update ("ASU") 2015-02, *Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 significantly changes the consolidation analysis required under GAAP and ends the deferral granted to investment companies from applying the variable interest entity guidance. ASU 2015-02 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015 and early adoption is permitted. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU 2015-03 is effective for fiscal years that begin after December 15, 2015 and early adoption is permitted. Management is currently evaluating the impact these changes will have on the Company's consolidated financial statements and disclosures.

Note 3. Investments

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

	March 31, 2015		**December 31, 2014**	
Amortized Cost:				
Senior secured loans	$146,873	57.9 %	$122,213	52.2 %
Unitranche loans	93,209	36.8	99,580	42.5
Junior secured loans	11,035	4.3	10,976	4.7
Equity securities	2,422	1.0	1,329	0.6
Total	$253,539	100.0%	$234,098	100.0 %

	March 31, 2015		**December 31, 2014**	
Fair Value:				
Senior secured loans	$148,660	58.8 %	$124,161	53.2 %
Unitranche loans	89,165	35.3	96,635	41.4
Junior secured loans	10,770	4.3	10,803	4.6
Equity securities	4,052	1.6	1,936	0.8
Total	$252,647	100.0%	$233,535	100.0 %

The following table shows 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, 2015		December 31, 2014	
Amortized Cost:				
West	$81,699	32.2 %	$76,642	32.7 %
Southeast	50,870	20.1	55,136	23.6
Midwest	48,736	19.2	45,434	19.4
Northeast	33,166	13.1	26,077	11.1
Southwest	32,025	12.6	23,566	10.1
Mid-Atlantic	7,043	2.8	7,243	3.1
Total	$253,539	100.0%	$234,098	100.0 %

	March 31, 2015		December 31, 2014	
Fair Value:				
West	$77,620	30.7 %	$73,055	31.3 %
Southeast	51,812	20.5	56,164	24.1
Midwest	49,754	19.7	46,348	19.8
Northeast	34,718	13.7	27,178	11.6
Southwest	32,235	12.8	23,838	10.2
Mid-Atlantic	6,508	2.6	6,952	3.0
Total	$252,647	100.0%	$233,535	100.0 %

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

	March 31, 2015		December 31, 2014	
Amortized Cost:				
Healthcare & Pharmaceuticals	$43,175	17.0 %	$29,814	12.7 %
Services: Business	32,462	12.8	29,502	12.6
Consumer Goods: Non-Durable	28,139	11.1	28,170	12.0
Consumer Goods: Durable	19,061	7.5	19,020	8.1
Hotels, Gaming & Leisure	18,554	7.3	18,936	8.1
Retail	17,070	6.7	22,017	9.4
Media: Advertising, Printing & Publishing	16,812	6.6	10,412	4.5
Banking, Finance, Insurance & Real Estate	13,410	5.3	16,361	7.0
Construction & Building	11,227	4.4	11,409	4.9
Energy: Oil & Gas	9,650	3.8	4,650	2.0
Automotive	8,008	3.2	8,005	3.4
Media: Diversified & Production	7,623	3.0	7,599	3.3

Metals & Mining	6,764	2.7	6,420	2.7
Wholesale	5,304	2.1	5,466	2.3
Containers, Packaging & Glass	3,669	1.5	3,712	1.6
Capital Equipment	3,664	1.5	3,645	1.6
Services: Consumer	3,051	1.2	3,048	1.3
Beverage, Food & Tobacco	2,991	1.2	2,990	1.3
High Tech Industries	2,905	1.1	2,922	1.2
Total	$253,539	100.0%	$234,098	100.0 %

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	March 31, 2015		December 31, 2014	
Fair Value:				
Healthcare & Pharmaceuticals	$43,099	17.1 %	$29,929	12.8 %
Services: Business	33,329	13.2	30,235	12.9
Consumer Goods: Non-Durable	27,244	10.8	27,367	11.7
Consumer Goods: Durable	19,207	7.6	19,281	8.3
Hotels, Gaming & Leisure	18,625	7.4	18,655	8.0
Retail	17,283	6.8	22,342	9.6
Media: Advertising, Printing & Publishing	17,138	6.7	10,628	4.5
Banking, Finance, Insurance & Real Estate	13,876	5.5	16,815	7.2
Construction & Building	11,393	4.5	11,637	5.0
Energy: Oil & Gas	9,812	3.9	4,698	2.0
Media: Diversified & Production	7,764	3.1	7,747	3.3
Metals & Mining	6,871	2.7	6,563	2.9
Automotive	5,156	2.0	5,483	2.3
Wholesale	5,153	2.0	5,624	2.4
Containers, Packaging & Glass	4,218	1.7	3,979	1.7
Capital Equipment	3,664	1.5	3,665	1.6
Services: Consumer	3,079	1.2	3,014	1.3
High Tech Industries	2,953	1.2	2,973	1.3
Beverage, Food & Tobacco	2,783	1.1	2,900	1.2
Total	$252,647	100.0 %	$233,535	100.0 %

Note 4. Fair Value Measurements

Investments

The Company values all investments in accordance with ASC Topic 820. ASC Topic 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 that the Company has the ability to access.

- Level 2 — Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.

- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value may require significant management judgment or estimation. Such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

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, and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment;

- 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 availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions utilized in the valuation are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

The accompanying consolidated schedules of investments held by the Company consist primarily of private debt instruments (“Level 3 debt”). Management 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 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.

Senior, unitranche and junior secured loans are collateralized by tangible and intangible assets of the borrowers. These investments include loans to entities that have some level of challenge in obtaining financing from other, more conventional institutions, such as a bank. Interest rates on these loans are either fixed or floating, and are based on current market conditions and credit ratings of the borrower. The contractual interest rates on the loans ranged between 7.00% and 18.92% at both March 31, 2015 and December 31, 2014. The maturity dates on the loans outstanding at March 31, 2015 range between April 2017 and July 2021. Management evaluates the collectability of the loans on an ongoing basis based upon various factors including, but not limited to, the credit history of the borrower, its financial status and its available collateral.

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. This evaluation will be updated quarterly for Level 3 debt instruments that are performing and are not performing, respectively, and more frequently for time periods where there are significant changes in the investor base or significant changes in the perceived value of the underlying collateral. The collateral value will be analyzed on an ongoing basis using internal metrics, appraisals, third-party valuation agents and other data as may be acquired and analyzed by the Company.

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.

Under the income approach, the Company prepares and analyzes discounted cash flow models based on projections of the future free cash flows (or earnings) of the portfolio company. In determining the fair value under the income approach, the Company considers various factors including, but not limited to, the portfolio company's projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the markets in which the portfolio company does business, and comparisons of financial ratios of peer companies that are public.

Secured Borrowings

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

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

Fair Value Disclosures

The following table presents fair value measurements of investments and secured borrowings, by major class, as of March 31, 2015, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Senior secured loans	$—	$ —	$148,660	$148,660
Unitranche loans	—	—	89,165	89,165
Junior secured loans	—	—	10,770	10,770
Equity securities	—	—	4,052	4,052
Total Investments	$—	$ —	$252,647	$252,647
Secured borrowings	$—	$ —	$3,819	$3,819

The following table presents fair value measurements of investments and secured borrowings, by major class, as of December 31, 2014, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Senior secured loans	$—	$ —	$124,161	$124,161
Unitranche loans	—	—	96,635	96,635
Junior secured loans	—	—	10,803	10,803
Equity securities	—	—	1,936	1,936
Total Investments	$—	$ —	$233,535	$233,535
Secured borrowings	$—	$ —	$4,008	$4,008

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, 2015 and 2014:

Investments		
Senior secured loans	Unitranche loans	Junior secured loans