

MONROE CAPITAL Corp  
Form 10-Q  
November 07, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended September 30, 2016**

**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)**

<b>Maryland</b>	<b>27-4895840</b>
<b>(State or Other Jurisdiction of</b>	<b>(I.R.S. Employer</b>
<b>Incorporation or Organization)</b>	<b>Identification No.)</b>
<b>311 South Wacker Drive, Suite 6400</b>	<b>60606</b>

**Chicago, Illinois**

**(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 ☒ No ☐

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

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

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

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

As of November 4, 2016, the registrant had 16,577,500 shares of common stock, \$0.001 par value, outstanding.

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**Part I. Financial Information****Item 1. Consolidated Financial Statements****MONROE CAPITAL CORPORATION****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES****(in thousands, except per share data)**

	September 30, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Investments, at fair value:		
Non-controlled/non-affiliate company investments	\$ 327,984	\$ 295,819
Non-controlled affiliate company investments	42,423	38,747
Controlled affiliate company investments	6,249	6,525
Total investments, at fair value (cost of: \$379,150 and \$342,738, respectively)	376,656	341,091
Cash	5,974	5,278
Restricted cash	2,241	8,588
Interest receivable	2,121	1,606
Other assets	418	747
Total assets	387,410	357,310
<b>LIABILITIES</b>		
Debt:		
Revolving credit facility	104,500	123,700
SBA debentures payable	40,000	40,000
Total debt	144,500	163,700
Less: Unamortized deferred financing costs	(3,883)	(3,569)
Total debt less unamortized deferred financing costs	140,617	160,131
Secured borrowings, at fair value (proceeds of: \$1,633 and \$2,535, respectively)	1,610	2,476
Payable for open trades	604	5,297
Interest payable	208	577
Management fees payable	1,594	1,503
Incentive fees payable	1,360	1,251

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Accounts payable and accrued expenses	2,293	1,466
Directors fees payable	37	74
Total liabilities	148,323	172,775
Net assets	\$ 239,087	\$ 184,535

Commitments and contingencies (See Note 10)

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value, 100,000 shares authorized, 16,578 and 13,008 shares issued and outstanding, respectively	\$ 17	\$ 13
Capital in excess of par value	237,040	184,419
Undistributed net investment income (accumulated distributions in excess of net investment income)	4,502	1,692
Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	(2,472)	) (1,589 )
Total net assets	\$ 239,087	\$ 184,535
Net asset value per share	\$ 14.42	\$ 14.19

See Notes to Consolidated Financial Statements.

**MONROE CAPITAL CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except per share data)**

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Investment income:				
Interest income:				
Non-controlled/non-affiliate company investments	\$ 8,607	\$ 7,733	\$ 26,176	\$ 23,437
Non-controlled affiliate company investments	1,117	1,069	3,282	2,521
Controlled affiliate company investments	20	295	30	739
Total interest income	9,744	9,097	29,488	26,697
Dividend income:				
Non-controlled/non-affiliate company investments	251	75	751	75
Non-controlled affiliate company investments	1,133	-	3,546	-
Total dividend income	1,384	75	4,297	75
Total investment income	11,128	9,172	33,785	26,772
Operating expenses:				
Interest and other debt financing expenses	1,523	1,434	4,987	3,788
Base management fees	1,594	1,370	4,598	3,626
Incentive fees	1,223	1,124	4,282	3,434
Professional fees	237	226	682	657
Administrative service fees	324	279	956	828
General and administrative expenses	265	206	611	591
Excise taxes	342	-	429	3
Directors fees	37	35	111	109
Total expenses	5,545	4,674	16,656	13,036
Net investment income	5,583	4,498	17,129	13,736
Net gain (loss) on investments and secured borrowings:				
Net realized gain (loss) on investments:				
Non-controlled/non-affiliate company investments	-	167	587	167
Net realized gain (loss) on investments	-	167	587	167

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Net change in unrealized appreciation (depreciation) on investments:

Non-controlled/non-affiliate company investments	200	(511	)	(920	)	(474	)	
Non-controlled affiliate company investments	618	1,904		3,814		2,885		
Controlled affiliate company investments	(2,666	)	(1,275	)	(3,741	)	(2,599	)
Net change in unrealized appreciation (depreciation) on investments	(1,848	)	118		(847	)	(188	)

Net change in unrealized (appreciation) depreciation on secured borrowings	(123	)	(43	)	(36	)	(35	)
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Net gain (loss) on investments and secured borrowings	(1,971	)	242		(296	)	(56	)
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Net increase (decrease) in net assets resulting from operations	\$ 3,612	\$ 4,740	\$ 16,833	\$ 13,680
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Per common share data:

Net investment income per share - basic and diluted	\$ 0.36	\$ 0.36	\$ 1.24	\$ 1.22
Net increase in net assets resulting from operations per share - basic and diluted	\$ 0.23	\$ 0.38	\$ 1.21	\$ 1.21
Weighted average common shares outstanding - basic and diluted	15,559	12,545	13,864	11,286

See Notes to Consolidated Financial Statements.



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

	Common Stock		Capital in	Undistributed net investment income (accumulated distributions in excess of net investment income)	Accumulated net realized gain (loss) on investments	Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	Total net assets
	Number of shares	Par value	excess of par value				
Balances at December 31, 2014	9,518	\$ 10	\$ 134,803	\$ (639	) \$ -	\$ (436	) \$ 133,738
Net increase (decrease) in net assets resulting from operations	-	-	-	13,736	167	(223	) 13,680
Issuance of common stock, net of offering and underwriting costs	3,143	3	44,607	-	-	-	44,610
Stockholder distributions paid	-	-	-	(11,993	) (167	) -	(12,160 )
Balances at September 30, 2015	12,661	\$ 13	\$ 179,410	\$ 1,104	\$ -	\$ (659	) \$ 179,868
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	-	-	-	17,129	587	(883	) 16,833
Issuance of common stock, net of offering and underwriting costs	3,566	4	52,551	-	-	-	52,555
Stockholder distributions paid, including stock	4	-	70	(14,319	) (587	) -	(14,836 )

issued in connection with  
dividend reinvestment plan

Balances at September 30, 2016	16,578	\$ 17	\$ 237,040	\$ 4,502	\$ -	\$ (2,472	) \$ 239,087
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See Notes to Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 16,833	\$ 13,680
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	847	188
Net change in unrealized appreciation (depreciation) on secured borrowings	36	35
Net realized (gain) loss on investments	(587)	(167)
Payment-in-kind interest income	(1,430)	(1,494)
Net accretion of discounts and amortization of premiums	(1,137)	(787)
Proceeds from principal payments and sales of investments	62,459	68,790
Purchases of investments	(95,717)	(162,726)
Amortization of deferred financing costs	603	553
Changes in operating assets and liabilities:		
Interest receivable	(515)	(628)
Other assets	329	401
Payable for open trades	(4,693)	-
Interest payable	(369)	142
Management fees payable	91	321
Incentive fees payable	109	(16)
Accounts payable and accrued expenses	827	572
Directors fees payable	(37)	35
Net cash provided by (used in) operating activities	(22,351)	(81,101)
Cash flows from investing activities:		
Net change in restricted cash	6,347	(3,268)
Net cash provided by (used in) investing activities	6,347	(3,268)
Cash flows from financing activities:		
Borrowings on revolving credit facility	64,000	120,400

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Repayments of revolving credit facility	(83,200	)	(86,500	)
SBA debentures borrowings	-		20,000	
Payments of deferred financing costs	(917	)	(677	)
Repayments on secured borrowings	(902	)	(1,200	)
Proceeds from shares sold, net of offering and underwriting costs	52,555		44,610	
Stockholder distributions paid (net of stock issued under dividend reinvestment plan of \$70 and \$0, respectively)	(14,836	)	(12,160	)
Net cash provided by (used in) financing activities	16,700		84,473	
Net increase (decrease) in cash	696		104	
Cash, beginning of period	5,278		4,561	
Cash, end of period	\$ 5,974		\$ 4,665	
Supplemental disclosure of cash flow information:				
Cash interest paid during the period	\$ 4,545		\$ 2,879	
Cash paid for excise taxes during the period	\$ 284		\$ -	

See Notes to Consolidated Financial Statements.

## MONROE CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

(unaudited)

September 30, 2016

(in thousands, except for units)

Portfolio Company <sup>(a)</sup>	Industry	Spread Above Index <sup>(b)</sup>	Interest Rate <sup>(b)</sup>		Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>	
Senior Secured Loans										
360 Holdings III Corp.	Consumer Goods: Non-Durable	L+9.00%	10.00	%	10/1/2021	5,940	\$5,725	\$5,732	2.4	%
American Community Homes, Inc. <sup>(e)</sup>	Banking, Finance, Insurance & Real Estate	L+8.00%	9.50	%	7/22/2019	7,667	7,539	7,713	3.2	%
American Community Homes, Inc. <sup>(e)</sup>	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/4.50% PIK		7/22/2019	4,169	4,106	4,253	1.8	%
American Community Homes, Inc. <sup>(e)</sup>	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/4.50% PIK		n/a	<sup>(x)</sup> 512	502	512	0.2	%
Answers Corporation	High Tech Industries	P + 6.25%	9.75	%	10/1/2021	2,903	2,815	1,568	0.7	%
BC Equity Ventures LLC	Hotels, Gaming & Leisure	L+6.50%	7.50	%	8/31/2022	2,618	2,566	2,579	1.1	%
BC Equity Ventures LLC	Hotels, Gaming & Leisure	L+6.50%	7.50	%	8/31/2022	375	371	373	0.2	%
BCC Software, LLC <sup>(f)</sup>	High Tech Industries	L+8.00%	9.00	%	6/20/2019	2,375	2,354	2,355	1.0	%

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BCC Software, LLC (Revolver) (g)	High Tech Industries	L+8.00%	9.00	%	6/20/2019	469	-	-	0.0	%
Beaver-Visitec International Holdings, Inc.	Healthcare & Pharmaceuticals	L+5.00%	6.00	%	8/19/2023	5,000	4,950	4,988	2.1	%
Bluestem Brands, Inc.	Consumer Goods: Non-Durable	L+7.50%	8.50	%	11/6/2020	2,799	2,775	2,452	1.0	%
Cali Bamboo, LLC	Construction & Building	L+8.50%	9.03	%	7/10/2020	5,437	5,359	5,518	2.3	%
Cali Bamboo, LLC (Revolver) (g)	Construction & Building	L+8.50%	9.03	%	7/10/2020	1,624	411	411	0.2	%
California Pizza Kitchen, Inc.	Beverage, Food & Tobacco	L+6.00%	7.00	%	8/23/2022	7,000	6,930	6,980	2.9	%
Cornerstone Detention Products, Inc. (h)	Construction & Building	L+10.50%	10.50% Cash/1.00% PIK		4/8/2019	3,893	3,850	3,683	1.5	%
Cornerstone Detention Products, Inc. (Revolver) (g)	Construction & Building	L+9.50%	10.50	%	4/8/2019	400	-	-	0.0	%
CRCI Holdings, Inc.	Utilities: Electric	L+5.50%	6.50	%	8/31/2023	3,000	2,970	2,996	1.3	%
Cyalume Technologies Holdings, Inc. (f)	Aerospace & Defense	L+9.00%	10.00	%	5/18/2020	4,641	4,542	4,774	2.0	%
Cyalume Technologies Holdings, Inc. (Delayed Draw)	Aerospace & Defense	L+9.00%	10.00	%	5/18/2020	418	418	430	0.2	%
Cyalume Technologies Holdings, Inc. (Revolver) (g)	Aerospace & Defense	L+9.00%	10.00	%	5/18/2020	1,528	-	-	0.0	%
Diesel Direct Holdings, Inc. (f)	Energy: Oil & Gas	L+7.00%	7.53	%	2/17/2020	5,259	5,237	5,288	2.2	%
EB Employee Solutions, LLC (f)	Services: Business	L+8.50%	10.00	%	2/28/2019	3,395	3,345	3,304	1.4	%
Familia Dental Group Holdings, LLC (f)	Healthcare & Pharmaceuticals	L+8.00%	8.53	%	4/8/2021	5,431	5,361	5,472	2.3	%
		L+8.00%	8.53	%	4/8/2021	519	519	522	0.2	%

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Familia Dental Group Holdings, LLC (Delayed Draw) <sup>(i)</sup>	Healthcare & Pharmaceuticals									
Familia Dental Group Holdings, LLC (Revolver) <sup>(g)</sup>	Healthcare & Pharmaceuticals	L+8.00%	8.53	%	4/8/2021	573	115	115	0.0	%
G&M Opco LLC <sup>(f)</sup>	Construction & Building	L+7.50%	8.03	%	6/23/2020	3,047	2,987	3,105	1.3	%
InMobi Pte, Ltd. (Delayed Draw) <sup>(g) (i) (j)</sup>	Media: Advertising, Printing & Publishing	L+10.17%	10.98	%	9/1/2018	10,000	6,667	6,617	2.8	%
Inteva Products, LLC	Automotive	L+8.50%	9.75	%	9/8/2021	2,000	1,989	2,020	0.8	%
Jerry Lee Radio, LLC	Media: Broadcasting & Subscription	L+9.50%	10.03	%	12/17/2020	13,800	13,497	14,076	5.9	%
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/2.25% PIK	<sup>(q)</sup>	12/20/2019	2,922	2,884	2,772	1.2	%
Landpoint, LLC (Revolver) <sup>(g)</sup>	Energy: Oil & Gas	L+10.50%	12.00	%	12/20/2019	313	-	-	0.0	%
L.A.R.K. Industries, Inc.	Construction & Building	L+7.00%	8.00	%	9/3/2019	6,430	6,332	6,433	2.7	%
Luxury Optical Holdings Co.	Retail	L+11.50%	9.00% Cash/3.50% PIK		9/12/2019	3,977	3,926	3,981	1.7	%
Luxury Optical Holdings Co. (Revolver) <sup>(g)</sup>	Retail	L+11.50%	9.00% Cash/3.50% PIK		9/12/2019	273	-	-	0.0	%
Miles Media Group LLC	Hotels, Gaming & Leisure	L+11.00%	10.00% Cash/2.00% PIK		3/24/2021	6,110	6,046	6,070	2.5	%
Miles Media Group LLC (Delayed Draw) <sup>(g) (i)</sup>	Hotels, Gaming & Leisure	L+11.00%	10.00% Cash/2.00% PIK		3/24/2021	1,455	-	-	0.0	%
Miles Media Group LLC (Revolver) <sup>(g)</sup>	Hotels, Gaming & Leisure	L+11.00%	10.00% Cash/2.00% PIK		3/24/2021	320	-	-	0.0	%
O'Brien Industrial Holdings, LLC	Metals & Mining	L+7.75%	8.75	%	5/13/2019	5,286	5,212	5,366	2.2	%
PD Products, LLC	Consumer Goods: Non-Durable	L+10.50%	12.00	%	10/4/2018	12,174	12,094	12,241	5.1	%
		L+10.50%	12.00	%	10/4/2018	2,500	25	25	0.0	%

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PD Products, LLC (Revolver) <sup>(g)</sup>	Consumer Goods: Non-Durable									
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+5.50%	6.50	%	7/1/2020	4,698	4,614	4,690	2.0	%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+11.50%	12.50	%	7/1/2020	4,849	4,760	4,805	2.0	%
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) <sup>(g)</sup>	Services: Consumer	L+8.50%	9.50	%	8/1/2017	236	-	-	0.0	%
Precision Toxicology, LLC <sup>(f)</sup>	Healthcare & Pharmaceuticals	L+11.50%	10.03% Cash/2.00% PIK		3/24/2020	4,289	4,228	4,289	1.8	%
Repay Holdings, LLC	Banking, Finance, Insurance & Real Estate	L+9.00%	9.53	%	9/1/2021	12,000	11,792	11,790	4.9	%
Repay Holdings, LLC (Revolver) <sup>(g)</sup>	Banking, Finance, Insurance & Real Estate	L+9.00%	9.53	%	9/1/2021	1,200	-	-	0.0	%
Rockdale Blackhawk, LLC <sup>(e)</sup>	Healthcare & Pharmaceuticals	L+11.00%	12.00	%	3/31/2020	11,244	10,406	11,283	4.7	%
Rockdale Blackhawk, LLC (Revolver) <sup>(e)</sup> <sup>(g)</sup>	Healthcare & Pharmaceuticals	L+11.00%	12.00	%	3/31/2020	1,849	-	-	0.0	%
Rockdale Blackhawk, LLC (Capex) <sup>(e)</sup>	Healthcare & Pharmaceuticals	L+11.00%	12.00	%	3/31/2020	581	581	583	0.2	%
Rocket Dog Brands, LLC <sup>(e)</sup>	Consumer Goods: Non-Durable	n/a	10.00% PIK		8/29/2019	1,086	1,086	568	0.2	%
Rocket Dog Brands, LLC <sup>(e)</sup>	Consumer Goods: Non-Durable	n/a	15.00% PIK		8/29/2019	392	387	373	0.2	%
Rocket Dog Brands, LLC <sup>(e)</sup>	Consumer Goods: Non-Durable	n/a	17.00% PIK		3/31/2017	216	212	216	0.1	%
SHI Holdings, Inc. <sup>(f)</sup>	Healthcare & Pharmaceuticals	L+9.25%	9.78	%	7/10/2019	2,625	2,588	2,431	1.0	%
		L+9.25%	9.78	%	7/10/2019	1,009	985	912	0.4	%



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SHI Holdings, Inc. (Revolver) (g)	Healthcare & Pharmaceuticals										
Shields Land Company of Georgia, LLC	Banking, Finance, Insurance & Real Estate	L+9.50%	10.02	%	12/28/2017	2,450	2,419	2,413	1.0	%	
SNI Companies (k)	Services: Business	L+8.00%	9.00	%	12/31/2018	5,590	5,522	5,590	2.3	%	
SNI Companies (Revolver) (g)	Services: Business	L+8.00%	9.00	%	12/31/2018	1,250	250	250	0.1	%	
Summit Container Corporation (e) (f)	Containers, Packaging & Glass	L+12.00%	12.00% Cash/2.00% PIK		1/6/2019	3,658	3,602	3,581	1.5	%	
Synergy Environmental Corporation (Solterra) (f)	Environmental Industries	L+8.00%	8.53	%	4/29/2021	3,150	3,087	3,164	1.3	%	
Synergy Environmental Corporation (Solterra) (f)	Environmental Industries	L+8.00%	8.53	%	4/29/2021	527	516	529	0.2	%	
Synergy Environmental Corporation (Solterra) (Delayed Draw) (g) (i)	Environmental Industries	L+8.00%	8.53	%	4/29/2018	1,342	-	-	0.0	%	
Synergy Environmental Corporation (Solterra) (Revolver) (g)	Environmental Industries	L+8.00%	8.53	%	4/29/2021	671	94	94	0.0	%	
Tectum Holdings, Inc.	Automotive	L+4.75%	5.75	%	8/24/2023	2,000	1,980	2,005	0.8	%	
The Worth Collection, Ltd.	Retail	L+8.50%	9.53	%	9/29/2021	11,000	10,780	10,780	4.5	%	
TPP Acquisition, Inc. (l)	Retail	L+11.00%	12.50% PIK (r)		12/17/2017	6,835	6,769	1,381	0.6	%	
TPP Acquisition, Inc. (Revolver) (l)	Retail	L+11.00%	12.50% PIK (r)		12/17/2017	2,035	2,035	2,035	0.9	%	
TPP Acquisition, Inc. (l)	Retail	L+11.00%	12.50% PIK (r)		12/17/2017	1,660	1,660	335	0.1	%	
	Retail	L+11.00%	12.50% PIK (r)		12/17/2017	3,429	3,429	693	0.3	%	

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TPP Acquisition, Inc. (Delayed Draw) <sup>(l)</sup>										
TPP Acquisition, Inc. <sup>(g)(i)(l)</sup>	Retail	L+6.00%	7.50	% <sup>(r)</sup>	12/31/2016	3,324	1,805	1,805	0.8	%
TRG, LLC	Hotels, Gaming & Leisure	L+13.04%	8.02% Cash/5.54% PIK	% <sup>(s)</sup>	3/31/2021	11,817	11,774	11,947	5.0	%
TRG, LLC (Revolver)	Hotels, Gaming & Leisure	L+9.50%	10.02	%	3/31/2021	131	131	131	0.1	%
TRG, LLC (CapEx) <sup>(g)</sup>	Hotels, Gaming & Leisure	L+9.50%	8.02% Cash/2.00% PIK		3/31/2021	1,605	802	808	0.3	%
Vacation Innovations, LLC <sup>(m)</sup>	Hotels, Gaming & Leisure	L+9.40%	7.53% Cash/2.40% PIK	% <sup>(t)</sup>	8/20/2020	10,651	10,467	10,651	4.5	%
Vacation Innovations, LLC (Revolver) <sup>(g)</sup>	Hotels, Gaming & Leisure	L+8.50%	7.53% Cash/1.50% PIK		8/20/2020	342	-	-	0.0	%
Vacation Innovations, LLC (Delayed Draw) <sup>(g)(i)</sup>	Hotels, Gaming & Leisure	L+8.50%	7.53% Cash/1.50% PIK		8/20/2020	2,037	-	-	0.0	%
Yandy Holding, LLC	Retail	L+9.00%	10.00	%	9/30/2019	5,759	5,701	5,664	2.4	%
Yandy Holding, LLC (Revolver) <sup>(g)</sup>	Retail	L+9.00%	10.00	%	9/30/2019	907	-	-	0.0	%
<b>Total Senior Secured Loans</b>						276,996	248,881	240,520	100.6%	
<b>Unitranche Loans</b>										
Collaborative Neuroscience Network, LLC <sup>(n)</sup>	Healthcare & Pharmaceuticals	L+11.50%	13.00	%	12/27/2017	6,433	6,364	5,075	2.1	%
Collaborative Neuroscience Network, LLC	Healthcare & Pharmaceuticals	n/a	12.00% Cash/3.00% PIK		10/31/2016	284	284	284	0.2	%
Fabco Automotive Corporation	Automotive	L+11.25%	8.00% Cash/4.25% PIK		4/3/2019	8,496	8,459	4,129	1.7	%
Gracelock Industries, LLC	Wholesale	L+13.74%	11.00% Cash/4.24% PIK	% <sup>(u)</sup>	5/7/2019	4,968	4,887	4,585	2.0	%
		L+6.00%	7.00	%	12/26/2019	14,478	14,211	14,420	6.0	%

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Incipio Technologies, Inc. <sup>(o)</sup>	Consumer Goods: Non-Durable		13.50%							
MooreCo, Inc.	Consumer Goods: Durable	L+14.50%	Cash/2.50% PIK	12/27/2017	3,660	3,636	3,660	1.5	%	
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2020	6,528	6,452	6,548	2.7	%	
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2020	8,332	8,212	8,373	3.5	%	
Playtime, LLC	Hotels, Gaming & Leisure	L+8.50%	9.00% Cash/1.00% PIK	12/31/2021	5,402	5,372	4,784	2.0	%	
<b>Total Unitranche Loans</b>					58,581	57,877	51,858	21.7	%	
<b>Junior Secured Loans</b>										
AIM Aerospace, Inc.	Aerospace & Defense Banking,	L+9.00%	10.00	%	8/2/2022	5,000	4,931	5,073	2.2	%
Confie Seguros Holdings II Co.	Finance, Insurance & Real Estate	L+9.00%	10.25	%	5/8/2019	8,594	8,181	8,680	3.6	%
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.75	%	7/3/2021	5,792	5,792	5,329	2.2	%
Education Corporation of America	Services: Consumer	L+11.00%	11.85	%	12/31/2018	4,583	4,500	4,597	2.0	%
Hyland Software Inc.	High Tech Industries	L+7.25%	8.25	%	7/1/2023	5,000	4,826	5,044	2.1	%
Mergermarket USA, Inc.	Media: Broadcasting & Subscription	L+6.50%	7.50	%	12/19/2021	4,500	4,396	4,320	1.8	%
Micro Holdings Corp.	High Tech Industries	L+7.50%	8.50	%	7/8/2022	5,590	5,469	5,527	2.3	%
Mud Pie, LLC	Consumer Goods: Non-Durable	n/a	10.00% Cash/1.50% PIK	11/4/2020	5,201	5,121	5,305	2.2	%	
New NSI Holdings, Inc.	Chemicals, Plastics & Rubber	L+8.25%	9.25	%	7/28/2022	4,000	3,947	4,040	1.7	%
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+9.00%	10.25	%	7/1/2020	3,000	2,996	2,985	1.2	%
Rocket Dog Brands, LLC <sup>(e)</sup>	Consumer Goods:	n/a	15.00% PIK	5/1/2020	1,868	1,869	-	0.0	%	

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Sterling Merger Sub Corp. SCP TPZ Acquisition, Inc. <b>Total Junior Secured Loans</b>	Non-Durable									
	Services: Business	L+7.75%	8.75	%	6/19/2023	5,000	4,956	4,838	2.0	%
	Media: Diversified & Production	L+8.25%	9.25	%	5/29/2022	5,000	4,935	4,956	2.1	%
						63,128	61,919	60,694	25.4	%

**Equity Securities**

American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity) <sup>(e)</sup>	Banking, Finance, Insurance & Real Estate	-	-	(v)	10/9/2024	-	-	944	0.4	%
BookIt Operating LLC (warrant to purchase up to 3.0% of the equity) <sup>(p)</sup>	Hotels, Gaming & Leisure	-	-	(v)	12/21/2023	-	-	587	0.3	%
Collaborative Neuroscience Network, LLC (warrant to purchase up to 4 LLC units) <sup>(p)</sup>	Healthcare & Pharmaceuticals	-	-	(v)	12/27/2022	-	-	-	0.0	%
Cyalume Technologies Holdings, Inc. - Series D Preferred Stock (3.06 shares) <sup>(p)</sup>	Aerospace & Defense	-	-	(v)	-	-	-	559	0.2	%
Education Corporation of America - Series G Preferred Stock (8,333 shares) <sup>(p)</sup>	Services: Consumer	n/a	12.00	%	-	-	8,125	8,150	3.4	%
Fabco Automotive Corporation (warrant to purchase up to 1.87% of the equity) <sup>(p)</sup>	Automotive	-	-	(v)	-	-	-	-	0.0	%
InMobi Pte, Ltd. (represents the right to purchase 0.42% of the equity) <sup>(j) (p)</sup>	Media: Advertising, Printing & Publishing	-	-	(v)	9/18/2025	-	-	107	0.0	%
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) <sup>(p)</sup>	Metals & Mining	-	-	(v)	5/13/2024	-	-	-	0.0	%
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) <sup>(p)</sup>	Services: Business	-	-	(v)	12/17/2022	-	-	747	0.3	%
Playtime, LLC - Preferred Units (8,665 units) <sup>(p)</sup>	Hotels, Gaming & Leisure	-	-	(v)	-	-	200	4	0.0	%
Rocket Dog Brands, LLC - Common Units (75,502 units) <sup>(e)</sup>	Consumer Goods: Non-Durable	-	-	(v)	-	-	-	-	0.0	%
Rocket Dog Brands, LLC - Preferred Units (10 units) <sup>(e)</sup>	Consumer Goods: Non-Durable	-	15.00%	(w)	-	-	967	-	0.0	%
Rockdale Blackhawk, LLC - LLC Units (11.56% of the LLC interest) <sup>(e)</sup>	Healthcare & Pharmaceuticals	-	-	(v)	-	-	1,093	12,397	5.2	%
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) <sup>(e)</sup>	Containers, Packaging & Glass	-	-	(v)	1/6/2024	-	-	-	0.0	%
The Tie Bar Operating Company, LLC - Class A	Retail	-	-	(v)	-	-	87	89	0.0	%

Preferred Units (1,275 units) (p)									
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units) (p)	Retail	-	-	(v)	-	-	1	-	0.0 %
TPP Acquisition, Inc. (829 shares of common stock) (l)	Retail	-	-	(v)	-	-	-	-	0.0 %
<b>Total Equity Securities</b>							10,473	23,584	9.8 %
<b>TOTAL INVESTMENTS</b>							<b>\$379,150</b>	<b>\$376,656</b>	<b>157.5 %</b>

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

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime Rate ("Prime" or "P") which reset daily, monthly, quarterly, or semiannually. For each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at September 30, 2016. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

(d) Percentages are based on net assets of \$239,087 as of September 30, 2016.

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).

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.

All or a portion of this commitment was unfunded at September 30, 2016. As such, interest is earned only on the funded portion of this commitment.

A portion of this loan (principal of \$2,336) 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.

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

This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company's total assets. As of September 30, 2016, non-qualifying assets totaled 1.74% of the Company's total assets.

A portion of this loan (principal of \$3,585) 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.

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.

A portion of this loan (principal of \$4,703) 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)

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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) A portion of this loan (principal of \$5,309) 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) Represents less than 5% ownership of the portfolio company's voting securities.

- (q) 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.

(r) This position is currently on non-accrual status.

- (s) 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 currently accrues at 3.54% per annum and is subject to an estimated minimum payment upon termination of \$2,155.

- (t) The PIK portion of the interest rate for Vacation Innovations, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.90% per annum.

- (u) The PIK portion of the interest rate for Gracelock Industries, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 4.24% per annum.

(v) Represents a non-income producing security.

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

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

n/a - not applicable

See Notes to Consolidated Financial Statements.

## MONROE CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2015

(in thousands, except for units)

Portfolio Company <sup>(a)</sup>	Industry	Spread Above Index <sup>(b)</sup>	Interest Rate <sup>(b)</sup>	Maturity	Principal	Amortized Cost	Fair Value <sup>(c)</sup>	% of Net Assets <sup>(d)</sup>	
Senior Secured Loans									
360 Holdings III Corp.	Consumer Goods: Non-Durable	L+9.00%	10.00	% 10/1/2021	5,985	\$5,746	\$5,746	3.1	%
Alora Pharmaceuticals, LLC <sup>(e)</sup>	Healthcare & Pharmaceuticals	L+7.50%	8.50	% 9/13/2018	11,338	11,229	11,253	6.1	%
Alora Pharmaceuticals, LLC (Revolver) <sup>(f)</sup>	Healthcare & Pharmaceuticals	L+7.50%	8.50	% 9/13/2018	1,336	-	-	0.0	%
American Community Homes, Inc. <sup>(g)</sup>	Banking, Finance, Insurance & Real Estate	L+8.00%	9.50	% 7/22/2019	7,667	7,511	7,398	4.0	%
American Community Homes, Inc. <sup>(g)</sup>	Banking, Finance, Insurance & Real Estate	L+12.50%	9.50% Cash/4.50% PIK	7/22/2019	4,029	3,951	3,941	2.1	%
Answers Corporation	High Tech Industries	L+5.25%	6.25	% 10/1/2021	2,918	2,818	1,984	1.1	%
BCC Software, LLC <sup>(h)</sup>	High Tech Industries	L+8.00%	9.00	% 6/20/2019	2,817	2,785	2,776	1.5	%
BCC Software, LLC (Revolver) <sup>(f)</sup>	High Tech Industries	L+8.00%	9.00	% 6/20/2019	469	-	-	0.0	%
		L+7.50%	8.50	% 11/6/2020	2,919	2,892	2,737	1.4	%



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Bluestem Brands, Inc.	Consumer Goods: Non-Durable								
Cali Bamboo, LLC	Construction & Building	L+8.50%	9.00	% 7/10/2020	4,179	4,101	4,093	2.2	%
Cali Bamboo, LLC (Revolver) <sup>(f)</sup>	Construction & Building	L+8.50%	9.00	% 7/10/2020	1,624	1,039	1,039	0.6	%
Cornerstone Detention Products, Inc. <sup>(i)</sup>	Construction & Building	L+10.50%	10.50% Cash/1.00% PIK	4/8/2019	4,221	4,161	3,969	2.2	%
Cornerstone Detention Products, Inc. (Revolver) <sup>(f)</sup>	Construction & Building	L+9.50%	10.50	% 4/8/2019	400	-	-	0.0	%
Cyalume Technologies Holdings, Inc. <sup>(h)</sup>	Aerospace & Defense	L+9.00%	10.00	% 5/18/2020	5,236	5,106	5,278	2.9	%
Cyalume Technologies Holdings, Inc. (Delayed Draw)	Aerospace & Defense	L+9.00%	10.00	% 5/18/2020	453	453	456	0.2	%
Cyalume Technologies Holdings, Inc. (Revolver) <sup>(f)</sup>	Aerospace & Defense	L+9.00%	10.00	% 5/18/2020	1,528	306	306	0.2	%
Diesel Direct Holdings, Inc. <sup>(h)</sup>	Energy: Oil & Gas	L+9.00%	10.00	% 2/17/2020	5,363	5,299	5,443	2.9	%
EB Employee Solutions, LLC <sup>(h)</sup>	Services: Business	L+8.50%	10.00	% 2/28/2019	3,470	3,406	3,399	1.8	%
G&M Opco LLC <sup>(h)</sup>	Construction & Building	L+7.50%	8.00	% 6/23/2020	3,169	3,096	3,109	1.7	%
InMobi Pte, Ltd. (Delayed Draw) <sup>(f) (j) (k)</sup>	Media: Advertising, Printing & Publishing	L+10.17%	10.50	% 9/1/2018	10,000	5,842	5,772	3.1	%
Jerry Lee Radio, LLC	Media: Broadcasting & Subscription	L+9.50%	10.00	% 12/17/2020	15,000	14,627	14,625	7.9	%
Landpoint, LLC	Energy: Oil & Gas	L+12.75%	12.00% Cash/2.25% PIK	<sup>(q)</sup> 12/20/2018	3,750	3,688	3,634	2.0	%
Landpoint, LLC (Revolver) <sup>(f)</sup>	Energy: Oil & Gas	L+10.50%	12.00	% 12/20/2018	313	-	-	0.0	%
L.A.R.K. Industries, Inc.	Construction & Building	L+7.00%	8.00	% 9/3/2019	6,690	6,562	6,657	3.6	%
Luxury Optical Holdings Co.	Retail	L+9.00%	9.00% Cash/1.00% PIK	9/12/2019	4,035	3,972	3,986	2.2	%
	Retail	L+8.00%	9.00	% 9/12/2019	273	-	-	0.0	%

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Luxury Optical Holdings Co. (Revolver) <sup>(f)</sup>										
Miles Media Group LLC	Hotels, Gaming & Leisure	L+8.50%	9.50	% 9/12/2019	3,875	3,814	3,864	2.1	%	
Miles Media Group LLC (Delayed Draw) <sup>(f) (j)</sup>	Hotels, Gaming & Leisure	L+8.50%	9.50	% 9/12/2019	1,600	-	-	0.0	%	
Miles Media Group LLC (Revolver) <sup>(f)</sup>	Hotels, Gaming & Leisure	L+8.50%	9.50	% 9/12/2019	320	-	-	0.0	%	
O'Brien Industrial Holdings, LLC	Metals & Mining	L+11.50%	11.00% Cash/2.00% PIK	5/13/2019	6,326	6,213	6,177	3.4	%	
O'Brien Industrial Holdings, LLC (Revolver) <sup>(f)</sup>	Metals & Mining	L+9.50%	11.00	% 5/13/2019	2,844	1,219	1,219	0.7	%	
PD Products, LLC	Consumer Goods: Non-Durable	L+10.50%	12.00	% 10/4/2018	12,698	12,589	12,679	6.9	%	
PD Products, LLC (Revolver) <sup>(f)</sup>	Consumer Goods: Non-Durable	L+10.50%	12.00	% 10/4/2018	2,500	1,025	1,024	0.6	%	
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+5.50%	6.50	% 7/1/2020	4,958	4,855	4,993	2.7	%	
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.)	Services: Consumer	L+11.50%	12.50	% 7/1/2020	4,979	4,874	4,964	2.7	%	
PeopleConnect Intermediate, LLC (formerly Intelius, Inc.) (Revolver) <sup>(f)</sup>	Services: Consumer	L+8.50%	9.50	% 7/1/2020	354	-	-	0.0	%	
Precision Toxicology, LLC <sup>(h)</sup>	Healthcare & Pharmaceuticals	L+8.00%	8.00% Cash/1.00% PIK	3/24/2020	5,440	5,345	5,358	2.9	%	
Precision Toxicology, LLC (Revolver) <sup>(f)</sup>	Healthcare & Pharmaceuticals	L+8.00%	8.00% Cash/1.00% PIK	3/24/2020	635	-	-	0.0	%	
Rockdale Blackhawk, LLC <sup>(g)</sup>	Healthcare & Pharmaceuticals	L+11.00%	12.00	% 3/31/2020	12,207	11,155	12,299	6.7	%	
Rockdale Blackhawk, LLC (Revolver) <sup>(f) (g)</sup>	Healthcare & Pharmaceuticals	L+11.00%	12.00	% 3/31/2020	1,849	789	786	0.4	%	
		L+11.00%	12.00	% 3/31/2020	2,288	629	634	0.3	%	

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Rockdale Blackhawk, LLC (Capex) <sup>(f) (g)</sup>	Healthcare & Pharmaceuticals								
Rocket Dog Brands, LLC <sup>(g)</sup>	Consumer Goods: Non-Durable	n/a	10.00	% 8/29/2019	1,032	1,032	1,032	0.6	%
Rocket Dog Brands, LLC (Delayed Draw) <sup>(f) (g) (j)</sup>	Consumer Goods: Non-Durable	n/a	15.00	% 8/29/2019	350	150	150	0.1	%
SHI Holdings, Inc. <sup>(h)</sup>	Healthcare & Pharmaceuticals	L+9.25%	9.67	% 7/10/2019	2,737	2,688	2,710	1.5	%
SHI Holdings, Inc. (Revolver) <sup>(f)</sup>	Healthcare & Pharmaceuticals	L+9.25%	9.67	% 7/10/2019	818	573	573	0.3	%
SNI Companies <sup>(l)</sup>	Services: Business	L+10.00%	11.00	% 12/31/2018	6,852	6,743	6,842	3.7	%
SNI Companies (Revolver) <sup>(f)</sup>	Services: Business	L+10.00%	11.00	% 12/31/2018	1,250	125	125	0.1	%
Summit Container Corporation <sup>(g) (h)</sup>	Containers, Packaging & Glass	L+9.00%	11.00	% 1/6/2019	3,600	3,537	3,400	1.8	%
The Sandbox Group LLC <sup>(h)</sup>	Media: Advertising, Printing & Publishing	L+10.00%	9.00% Cash/2.00% PIK	2/23/2020	5,388	5,274	5,329	2.9	%
The Sandbox Group LLC (Revolver) <sup>(f)</sup>	Media: Advertising, Printing & Publishing	L+10.00%	9.00% Cash/2.00% PIK	2/23/2020	1,250	1,243	1,243	0.7	%
TRG, LLC	Hotels, Gaming & Leisure	L+17.92%	11.00% Cash/7.92% PIK	<sup>(r)</sup> 12/23/2019	3,068	3,017	3,040	1.6	%
TRG, LLC (Revolver) <sup>(f)</sup>	Hotels, Gaming & Leisure	L+12.00%	13.00	% 12/23/2019	131	-	-	0.0	%
TRG, LLC (CapEx) <sup>(f)</sup>	Hotels, Gaming & Leisure	L+12.00%	11.00% Cash/2.00% PIK	12/23/2019	919	653	649	0.3	%
TTM Technologies, Inc.	High Tech Industries	L+5.00%	6.00	% 5/31/2021	1,330	1,287	1,207	0.6	%
Vacation Innovations, LLC	Hotels, Gaming & Leisure	L+9.00%	9.50	% 8/20/2020	6,211	6,093	6,236	3.4	%
Vacation Innovations, LLC (Revolver) <sup>(f)</sup>	Hotels, Gaming & Leisure	L+9.00%	9.50	% 8/20/2020	342	-	-	0.0	%
Yandy Holding, LLC	Retail	L+9.00%	10.00	% 9/30/2019	6,419	6,342	6,425	3.5	%
Yandy Holding, LLC (Revolver) <sup>(f)</sup>	Retail	L+9.00%	10.00	% 9/30/2019	907	-	-	0.0	%
					214,659	189,854	190,559	103.3	%

**Total Senior Secured Loans****Unitranche Loans**

Accutest Corporation Collaborative Neuroscience Network, LLC (m)	Services: Business	L+9.50%	11.00	% 6/5/2018	6,586	6,440	6,586	3.6	%
Fabco Automotive Corporation	Automotive	L+9.25%	10.25	% 4/3/2017	8,437	8,393	5,358	2.9	%
Gracelock Industries, LLC	Wholesale	L+12.05%	11.00% Cash/2.55% (s) 5/7/2019 PIK		5,207	5,101	4,730	2.6	%
Incipio Technologies, Inc. (n)	Consumer Goods: Non-Durable	L+6.00%	7.00	% 12/26/2019	15,000	14,669	15,008	8.1	%
MooreCo, Inc.	Consumer Goods: Durable	L+13.50%	12.50% Cash/2.50% PIK	12/27/2017	4,223	4,177	4,223	2.3	%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2018	6,655	6,555	6,562	3.6	%
Output Services Group, Inc.	Services: Business	L+9.00%	9.50% Cash/1.00% PIK	12/17/2018	7,429	7,301	7,295	3.9	%
Playtime, LLC (m)	Hotels, Gaming & Leisure	L+7.50%	9.00	% 12/4/2017	5,677	5,627	5,070	2.8	%
TPP Acquisition, Inc. (o)	Retail	L+11.00%	10.50% Cash/2.00% PIK	12/17/2017	6,835	6,769	2,990	1.6	%
TPP Acquisition, Inc. (Revolver) (o)	Retail	L+11.00%	4.50% Cash/8.00% PIK	12/17/2017	2,035	2,035	2,035	1.1	%
TPP Acquisition, Inc. (Delayed Draw) (o)	Retail	L+11.00%	10.50% Cash/2.00% PIK	12/17/2017	3,429	3,429	1,500	0.8	%
<b>Total Unitranche Loans</b>					78,571	77,464	68,090	36.9	%

**Junior Secured Loans**

Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25	% 5/8/2019	5,594	5,555	5,538	3.0	%
		L+7.75%	8.75	% 7/3/2021	5,792	5,691	5,532	3.0	%

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CSM Bakery Supplies LLC	Beverage, Food & Tobacco								
Education Corporation of America	Services: Consumer	L+11.00%	11.60	% 12/31/2018	5,833	5,698	5,854	3.2	%
Hyland Software Inc.	High Tech Industries	L+7.25%	8.25	% 7/1/2023	5,000	4,810	4,700	2.5	%
Mergermarket USA, Inc.	Media: Broadcasting & Subscription	L+6.50%	7.50	% 12/19/2021	4,500	4,384	4,016	2.2	%
Micro Holdings Corp.	High Tech Industries	L+7.50%	8.50	% 7/8/2022	5,590	5,455	5,339	2.9	%
Mud Pie, LLC	Consumer Goods: Non-Durable	n/a	10.00% Cash/1.50% PIK	11/4/2020	10,101	9,919	10,060	5.4	%
New NSI Holdings, Inc.	Chemicals, Plastics & Rubber	L+8.25%	9.25	% 7/28/2022	4,000	3,942	3,948	2.1	%
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+9.00%	10.25	% 7/1/2020	3,000	2,988	2,950	1.6	%
Physiotherapy Corporation	Healthcare & Pharmaceuticals	L+8.50%	9.50	% 6/3/2022	5,000	4,953	5,000	2.7	%
Rocket Dog Brands, LLC <sup>(g)</sup>	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/1/2020	1,673	1,673	570	0.3	%
Sterling Infosystems, Inc.	Services: Business	L+7.75%	8.75	% 6/19/2023	5,000	4,952	4,956	2.7	%
SCP TPZ Acquisition, Inc.	Media: Diversified & Production	L+8.25%	9.25	% 5/29/2022	5,000	4,928	4,925	2.7	%
<b>Total Junior Secured Loans</b>					66,083	64,948	63,388	34.3	%

**Equity Securities**

American Community Homes, Inc. (warrant to purchase up to 9.0% of the equity) <sup>(p)</sup>	Banking, Finance, Insurance & Real Estate	-	-	(t) 10/9/2024	-	-	353	0.2	%
BookIt Operating LLC (warrant to purchase up to 3.0% of the equity) <sup>(p)</sup>	Hotels, Gaming & Leisure	-	-	(t) 12/21/2023	-	-	587	0.3	%
Collaborative Neuroscience Network, LLC (warrant to purchase up to 1.67 LLC units) <sup>(p)</sup>	Healthcare & Pharmaceuticals	-	-	(t) 12/27/2022	-	-	147	0.1	%
Cyalume Technologies Holdings, Inc. - Series D Preferred Stock (3.06 shares) <sup>(p)</sup>	Aerospace & Defense	-	-	(t) -	-	-	449	0.2	%
Education Corporation of America - Series G Preferred Stock (8,333 shares) <sup>(p)</sup>	Services: Consumer	n/a	12.00	% -	-	8,125	8,345	4.5	%
InMobi Pte, Ltd. (represents the right to purchase 0.42% of the equity) <sup>(k) (p)</sup>	Media: Advertising, Printing & Publishing	-	-	(t) 9/18/2025	-	-	108	0.1	%
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliated entities of the company) <sup>(p)</sup>	Metals & Mining	-	-	(t) 5/13/2024	-	-	-	0.0	%
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) <sup>(p)</sup>	Services: Business	-	-	(t) 12/17/2022	-	-	450	0.2	%
Playtime, LLC - Preferred Units (8,665 units) <sup>(p)</sup>	Hotels, Gaming & Leisure	-	-	(t) -	-	200	64	0.0	%
Rocket Dog Brands, LLC - Common Units (75,502 units) <sup>(g)</sup>	Consumer Goods: Non-Durable	-	-	(t) -	-	-	-	0.0	%
Rocket Dog Brands, LLC - Preferred Units (10 units) <sup>(g)</sup>	Consumer Goods: Non-Durable	-	15.00%	(u) -	-	967	-	0.0	%
Rockdale Blackhawk, LLC - LLC Units (11.56% of the LLC interest) <sup>(g)</sup>	Healthcare & Pharmaceuticals	-	-	(t) -	-	1,093	8,184	4.4	%
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) <sup>(g)</sup>	Containers, Packaging & Glass	-	-	(t) 1/6/2024	-	-	-	0.0	%
The Sandbox Group LLC (warrant to purchase up to 1.0% of the equity) <sup>(p)</sup>	Media: Advertising, Printing & Publishing	-	-	(t) -	-	-	277	0.2	%
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units) <sup>(p)</sup>	Retail	-	-	(t) -	-	86	90	0.1	%
The Tie Bar Operating Company, LLC - Class B	Retail	-	-	(t) -	-	1	-	0.0	%

Preferred Units (1,275 units) <sup>(p)</sup>									
TPP Acquisition, Inc. (829 shares of common stock) <sup>(o)</sup>	Retail	-	-	(t) -	-	-	-	0.0	%
<b>Total Equity Securities</b>						10,472	19,054	10.3	%
<b>TOTAL INVESTMENTS</b>						<b>\$342,738</b>	<b>\$341,091</b>	<b>184.8</b>	<b>%</b>

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

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime Rate ("Prime" or "P") which reset daily, monthly, quarterly, or semiannually. For each such investment the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 31, 2015. Certain investments are subject to a LIBOR or Prime interest rate floor.

Because there is no readily available market value for these investments, the fair value of these investments is determined in good faith 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 \$184,535 as of December 31, 2015.

(e) A portion of this loan (principal of \$4,679) 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, 2015. As such, interest is earned only on the funded portion of this commitment.

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 \$2,532) 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) This delayed draw loan requires that certain financial covenants be met by the portfolio company prior to any fundings.

(k) 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, 2015, non-qualifying assets totaled 1.60% of the Company's total assets.

(l) A portion of this loan (principal of \$4,394) 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) 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.

(n) A portion of this loan (principal of \$5,500) 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.

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% percent 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 both an Affiliated Person and a portfolio company that the Company is deemed to Control.

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

(q)

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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.

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

(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 accrues at 2.55% per annum.

(t) Represents a non-income producing security.

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

n/a - not applicable

See Notes to Consolidated Financial Statements.



**MONROE CAPITAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

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

**Note 1. Organization and Principal Business**

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

On February 28, 2014, the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP (“MRCC SBIC”), a Delaware limited partnership, received a license from the Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”) under Section 301(c) of the Small Business Investment Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of September 30, 2016, MRCC SBIC had \$60,000 in regulatory capital, \$20,000 in leveragable capital and \$40,000 in SBA-guaranteed debentures outstanding. On April 13, 2016, MRCC SBIC was approved by the SBA for an additional \$75,000 in SBA-guaranteed debentures. See Note 7 for additional information.

On July 25, 2016, the Company closed a public offering of 3,100,000 shares of its 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 its 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 \$493, resulting in net proceeds of \$52,555.

**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 in its consolidated financial statements. All intercompany balances and transactions have been eliminated.

## **Fair Value of Financial Instruments**

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



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

## Revenue Recognition

The Company's revenue recognition policies are as follows:

*Investments and related investment income:* Interest and dividend income is 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 interest income in the period earned. For the three and nine months ended September 30, 2016, interest income included \$220 and \$1,067 of prepayment and amendment fees, respectively. For the three and nine months ended September 30, 2015, interest income included \$117 and \$1,242 of prepayment and amendment fees, respectively.

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 and nine months ended September 30, 2016, the Company recorded dividend income of \$1,384 and \$4,297, respectively. For both the three and nine months ended September 30, 2015, the Company recorded dividend income of \$75.

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 \$5,955 and \$6,340 as of September 30, 2016 and December 31, 2015, respectively. Upfront loan origination and closing fees received for the three and nine months ended September 30, 2016 totaled \$694 and \$2,190, respectively. For the three and nine months ended September 30, 2015, upfront loan origination and closing fees received totaled \$1,102 and \$2,650, respectively. For the three and nine months ended September 30, 2016, interest income included \$383 and \$1,137 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. For the three and nine months ended September 30, 2015, interest income included \$308 and \$787 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. Upon the prepayment of a loan or debt security, any

unamortized premium or discount or loan origination fees are recorded as interest income. For the three and nine months ended September 30, 2016, interest income included \$227 and \$836 of unamortized discount or loan origination fees recorded as interest income upon prepayment of a loan or debt security, respectively. For the three and nine months ended September 30, 2015, interest income included \$159 and \$930 of unamortized discount or loan origination fees recorded as interest income upon prepayment of a loan or debt security, respectively.

The Company has certain investments in its portfolio that contain a payment-in-kind (“PIK”) interest provision, which represents contractual interest or dividends that are added to the principal balance and recorded as income. For the three and nine months ended September 30, 2016, interest income included \$600 and \$1,430 of PIK interest, respectively. For the three and nine months ended September 30, 2015, interest income included \$453 and \$1,494 of PIK interest, respectively. The Company stops accruing PIK interest when it is determined that PIK interest is no longer collectible. To maintain RIC tax treatment, and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

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

*Non-accrual:* Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. 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. On January 1, 2016, the Company placed its loan investments in TPP Acquisition, Inc. on non-accrual status. During the three and nine months ended September 30, 2016, the Company received interest payments from TPP Acquisition, Inc. totaling \$20 and \$30, respectively, which were recognized as interest income. Prior to placing TPP Acquisition Inc. on non-accrual status there were no other loan investments on non-accrual status. The Company’s preferred unit investment in Rocket Dog Brands LLC, which has a stated PIK interest rate, continues to remain on non-accrual status, and no dividend income was recorded related to this investment for the three and nine months ended September 30, 2016 and 2015. The fair value of the Company’s investments on non-accrual status totaled \$6,249 and zero at September 30, 2016 and December 31, 2015, respectively.

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

## **Distributions**

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

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

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

## Earnings per Share

In accordance with the provisions of ASC Topic 260 — *Earnings per Share* (“ASC Topic 260”), basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. The weighted average shares outstanding utilized in the calculation of earnings per share take into account share issues on the issuance date and the Company’s repurchases of its common stock on the repurchase date. See Note 9 for additional information on the Company’s share 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.

## Restricted Cash

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

## Unamortized Deferred Financing Costs

Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company’s borrowings. As of September 30, 2016 and December 31, 2015, the Company had unamortized deferred financing costs of \$3,883 and \$3,569, 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 and nine months ended September 30, 2016 was \$222 and \$603, respectively. Amortization of deferred financing costs for the three and nine months ended September 30, 2015 was \$185 and \$553,

respectively.



## Offering Costs

Offering costs include, among other things, fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity offerings. Offering costs are charged against the proceeds from equity offerings within the consolidated statements of changes in net assets. As of September 30, 2016 and December 31, 2015, other assets on the consolidated statements of assets and liabilities included \$270 and \$358, respectively, of deferred offering costs which will be charged against the proceeds from further equity offerings when received.

## Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to stockholders, for each taxable year, at least 90% of the Company's "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. If the Company qualifies as a RIC and satisfies the annual distribution requirement, the Company will not have to pay corporate-level federal income taxes on any income that the Company distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no federal income taxes. To the extent that the Company determines that its estimated current year annual taxable income may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, calculated as 4% of the estimated excess taxable income as taxable income is earned. For the three and nine months ended September 30, 2016, \$342 and \$429, respectively, were recorded on the consolidated statements of operations for U.S. federal excise taxes, respectively. For the three and nine months ended September 30, 2015, zero and \$3 was recorded for U.S. federal excise taxes, respectively. As of September 30, 2016 and December 31, 2015, payables for excise taxes of \$225 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 September 30, 2016. The 2012 through 2015 tax years remain subject to examination by U.S. federal and state tax authorities.

## Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the nine months ended September 30, 2016.

## Recent Accounting Pronouncements

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

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

In February 2015, the FASB issued 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. The Company has adopted ASU 2015-02 and the adoption did not have a material impact 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 statements of assets and liabilities 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. The Company has adopted ASU 2015-03 and the revised presentation is reflected in the Company's consolidated financial statements for the periods presented.

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.

### Note 3. Investments

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

	September 30, 2016			December 31, 2015		
Amortized Cost:						
Senior secured loans	\$248,881	65.6	%	\$189,854	55.4	%
Unitranche loans	57,877	15.3		77,464	22.6	
Junior secured loans	61,919	16.3		64,948	19.0	
Equity securities	10,473	2.8		10,472	3.0	
Total	\$379,150	100.0	%	\$342,738	100.0	%

	September 30, 2016			December 31, 2015		
Fair Value:						
Senior secured loans	\$240,520	63.9	%	\$190,559	55.9	%
Unitranche loans	51,858	13.8		68,090	20.0	
Junior secured loans	60,694	16.1		63,388	18.6	
Equity securities	23,584	6.2		19,054	5.5	
Total	\$376,656	100.0	%	\$341,091	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:

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	September 30, 2016			December 31, 2015		
Amortized Cost:						
International	\$6,667	1.8	%	\$5,842	1.7	%
Mid-Atlantic	—	—		6,440	1.9	
Midwest	56,306	14.9		46,557	13.6	
Northeast	76,758	20.2		63,131	18.4	
South	17,181	4.5		—	—	
Southeast	51,745	13.6		64,282	18.7	
Southwest	39,462	10.4		38,325	11.2	
West	131,031	34.6		118,161	34.5	
Total	\$379,150	100.0	%	\$ 342,738	100.0	%

	September 30, 2016			December 31, 2015		
Fair Value:						
International	\$6,724	1.8	%	\$ 5,880	1.7	%
Mid-Atlantic	—	—		6,586	1.9	
Midwest	56,801	15.1		46,103	13.5	
Northeast	78,400	20.8		63,396	18.6	
South	17,199	4.6		—	—	
Southeast	52,907	14.0		65,823	19.3	
Southwest	42,266	11.2		40,913	12.0	
West	122,359	32.5				