MONROE CAPITAL Corp
Form 497
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# PROSPECTUS SUPPLEMENT
# (To Prospectus dated June 1, 2018)

# Monroe Capital Corporation

# $60,000,000

# 5.75% Notes due 2023

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

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

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

We are offering $60,000,000 in aggregate principal amount of 5.75% notes due 2023, which we refer to as the Notes. The Notes will mature on October 31, 2023. We will pay interest on the Notes on January 31, April 30, July 31 and October 31 of each year, beginning October 31, 2018. We may redeem the Notes in whole or in part at any time or from time to time on or after October 31, 2020 at the redemption price of 100% of the aggregate principal amount thereof plus accrued and unpaid interest, as discussed under the section titled Description of the Notes Optional Redemption in this prospectus supplement. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

The Notes will be our direct unsecured obligations and rank pari passu, which means equal in right of payment, with all outstanding and future unsecured indebtedness issued by us. Because the Notes will not be secured by any of our assets, they will be effectively subordinated to all of our existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under our senior secured revolving credit facility with ING Capital LLC, as amended (the ING Credit Facility ), of which we had U.S. dollar borrowings of $95.3 million and non-U.S. dollar borrowings of £14.8 million ($19.1 million) for total outstanding borrowings of $114.4 million as of August 31, 2018. The Notes will be structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including Monroe Capital Corporation SBIC, LP ( MRCC SBIC ), since the Notes will be obligations exclusively of us and not of any of our subsidiaries. As of August 31, 2018, our subsidiaries had total indebtedness outstanding of $115.0 million. None of our subsidiaries is a guarantor of the Notes and the Notes will not be required to be guaranteed by any subsidiary we may acquire or create in the future. For further discussion, see the section titled Description of the Notes in this prospectus supplement.

We intend to list the Notes on The Nasdaq Global Select Market, and we expect trading to commence thereon within 30 days of the original issue date under the trading symbol MRCCL. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes, and there can be no assurance that one will develop.

**Investing in our Notes involves a high degree of risk, including the risk of leverage. Before buying any Notes, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page S-16 of this prospectus supplement and page 13 of the accompanying prospectus.**

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in the Notes. Please read this prospectus supplement and the accompanying prospectus before investing and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission ( SEC ). The information is available free of charge, and security holders may make inquiries by contacting us at 311 South Wacker Drive, Suite 6400, Chicago, Illinois 60606, Attention: Investor Relations, by calling us collect at (312) 258-8300, or on our website at *www.monroebdc.com*. The SEC also maintains a website at www.sec.gov that contains such information. Information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement and the accompanying prospectus.

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

| | Per Note | Total |
|---|---|---|
| Public offering price | $25.00 | $60,000,000 |
| Underwriting discount (sales load and commissions) | $0.78125 | $1,875,000 |
| Proceeds, before expenses, to us(1) | $24.21875 | $58,125,000 |

(1) We estimate that we will incur approximately $0.4 million in offering expenses in connection with this offering.

The underwriters may also purchase up to an additional $9,000,000 total aggregate principal amount of Notes offered by this prospectus supplement and the accompanying prospectus, solely to cover over-allotments, if any, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be $69,000,000, the total underwriting discount (sales load and commissions) paid by us will be $2,156,250, and total proceeds, before expenses, will be $66,843,750.

**THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.**

The underwriters are offering the Notes as set forth in Underwriting in this prospectus supplement. Delivery of the Notes will be made in book-entry form only through The Depository Trust Company, known as DTC, on or about September 12, 2018.

*Joint Book-running Managers*

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

*Lead Managers*

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

*Co-Managers*

**National Securities Corporation** **Wedbush Securities**

The date of this prospectus supplement is September 5, 2018.

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# PROSPECTUS SUPPLEMENT



# PROSPECTUS

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# ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the Notes and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosures.

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

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor the underwriters are making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sales of the Notes. Our business, financial condition, results of operations and prospects may have changed since those dates.**

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# SUMMARY

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

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

*we, us and our refer to Monroe Capital Corporation, a Maryland corporation;*
*MC Advisors refers to Monroe Capital BDC Advisors, LLC, our investment advisor and a Delaware limited liability company;*
*MC Management refers to Monroe Capital Management Advisors, LLC, our administrator and a Delaware limited liability company;*
*Monroe Capital refers to Monroe Capital LLC, a Delaware limited liability company, and its subsidiaries and affiliates;*
*SLF refers to MRCC Senior Loan Fund I, LLC, an unconsolidated Delaware limited liability company, in which we co-invest with NLV Financial Corporation ( NLV ) primarily in senior secured loans. SLF is capitalized as transactions are completed and all portfolio and investment decisions in respect of SLF must be approved by representatives of each of the members. As of June 30, 2018, we owned 50.0% of the LLC equity interests of SLF. As of June 30, 2018, SLF had LLC equity interest subscriptions from its members totaling $100.0 million, of which we have committed to fund $50.0 million;*
*MRCC SBIC refers to Monroe Capital Corporation SBIC, LP, a Delaware limited partnership, our wholly-owned subsidiary that operates as a small business investment company pursuant to a license received from the United States Small Business Administration; and*
*LIBOR refers to the one-month, three-month or six-month London Interbank Offered Rate as reported by the British Bankers Association. Unless stated otherwise herein, LIBOR refers to the one-month rate.*

## Monroe Capital Corporation

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

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

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In this prospectus supplement and the accompanying prospectus, the term middle-market generally refers to companies having annual revenue of between $20 million and $500 million and/or annual earnings before interest, taxes, depreciation and amortization, or EBITDA, of between $3 million and $50 million. Within the middle-market, we consider companies having annual revenues of less than $250 million and/or EBITDA of less than $25 million to be in the lower middle-market.

# Portfolio Update

Since the consummation of the initial public offering in October 2012, we have grown the fair value of our portfolio of investments to approximately $498.2 million as of June 30, 2018. As of June 30, 2018, our portfolio consisted of 71 different portfolio companies, comprised of approximately 77.8% senior secured debt, 10.3% unitranche secured debt, 5.7% junior secured debt and 6.2% equity securities. As of June 30, 2018, the weighted average annualized effective yield on portfolio investments (which represents the expected annualized effective yield to be generated by us on our portfolio based on the composition of our portfolio as of such date) prior to leverage was 10.0% based on the par value of our debt investments and the cost basis of our preferred equity investments. For the six months ended June 30, 2018, our total return based on net asset value was 2.1% and our total return based on market value was 3.4%.

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

# Asset Coverage Approval

On March 27, 2018, our Board approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. On June 20, 2018, our stockholders approved a proposal to accelerate the effective date of the modified asset coverage requirements. As a result, the asset coverage ratio test applicable to us was decreased from 200% to 150%, effective June 21, 2018. As of June 30, 2018, we had an asset coverage ratio of 312%. For a discussion of the principal risk factors associated with these senior securities, see Risk Factors beginning on page S-16 of this prospectus supplement and beginning on page 13 of the accompanying prospectus.

# Our Investment Advisor

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

Under the investment advisory and management agreement with MC Advisors, or the Investment Advisory Agreement, we pay MC Advisors a base management fee and an incentive fee for its services. See Management and Other Agreements Investment Advisory Agreement Management and Incentive Fee in the accompanying prospectus for a discussion of the base management fee and incentive fee payable by us to MC Advisors. Our independent directors periodically review MC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate.

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MC Advisors seeks to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of Monroe Capital s investment professionals. The senior management team of Monroe Capital, including Theodore L. Koenig and Aaron D. Peck, provides investment services to MC Advisors pursuant to a staffing agreement, or the Staffing Agreement, between MC Management, an affiliate of Monroe Capital, and MC Advisors. Messrs. Koenig and Peck have developed a broad network of contacts within the investment community and average more than 25 years of experience investing in debt and equity securities of lower middle-market companies. In addition, Messrs. Koenig and Peck have extensive experience investing in assets that constitute our primary focus and have expertise in investing throughout all periods of the economic cycle. MC Advisors is an affiliate of Monroe Capital and is supported by experienced investment professionals of Monroe Capital under the terms of the Staffing Agreement. Monroe Capital s core team of investment professionals has an established track record in sourcing, underwriting, executing and monitoring transactions. From Monroe Capital s formation in 2004 through June 30, 2018, Monroe Capital s investment professionals invested in over 1,250 loan and related investments with an aggregate principal value of over $9.0 billion.

In addition to their roles with Monroe Capital and MC Advisors, Messrs. Koenig and Peck serve as our interested directors. Mr. Koenig has more than 30 years of experience in structuring, negotiating and closing transactions on behalf of asset-backed lenders, commercial finance companies, financial institutions and private equity investors at organizations including Monroe Capital, which Mr. Koenig founded in 2004, and Hilco Capital LP, where he led investments in over 20 companies in the lower middle-market. Mr. Peck has more than 20 years of public company management, leveraged finance and commercial lending experience at organizations including Deerfield Capital Management LLC, Black Diamond Capital Management LLC and Salomon Smith Barney Inc.

Messrs. Koenig and Peck are joined on the investment committee of MC Advisors by Michael J. Egan and Jeremy T. VanDerMeid, each of whom is a senior investment professional at Monroe Capital. Mr. Egan has more than 30 years of experience in commercial finance, credit administration and banking at organizations including Hilco Capital, The CIT Group/Business Credit, Inc., The National Community Bank of New Jersey (The Bank of New York) and KeyCorp. Mr. VanDerMeid has more than 15 years of lending and corporate finance experience at organizations including Morgan Stanley Investment Management, Dymas Capital Management Company, LLC and Heller Financial.

# About Monroe Capital

Monroe Capital, a Delaware limited liability company that was founded in 2004, is a leading lender to middle-market companies. As of June 30, 2018, Monroe Capital had approximately $5.6 billion in assets under management. Monroe Capital has maintained a continued lending presence in the lower middle-market throughout the most recent economic downturn. The result is an established lending platform that we believe generates consistent primary and secondary deal flow from a network of proprietary relationships and additional deal flow from a diverse portfolio of over 475 current investments. From Monroe Capital s formation in 2004 through June 30, 2018, Monroe Capital s investment professionals invested in over 1,250 loan and related investments with an aggregate principal value of over $9.0 billion. The senior investment team of Monroe Capital averages more than 25 years of experience and has developed a proven investment and portfolio management process that has performed through multiple market cycles. In addition, Monroe Capital s investment professionals are supported by administrative and back-office personnel focused on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

## Market Opportunity

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

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# Investment Strategy

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation primarily through investments in senior, unitranche and junior secured debt and, to a lesser extent, unsecured subordinated debt and equity. We also seek to invest opportunistically in attractively priced, broadly syndicated loans, which should enhance our geographic and industry portfolio diversification and increase our portfolio s liquidity. We do not target any specific industry, however, as of June 30, 2018, our investments in the healthcare & pharmaceuticals; banking, finance, insurance & real estate; and high tech industries represented approximately 12.8%, 12.3% and 10.8%, respectively, of the fair value of our portfolio. To achieve our investment objective, we utilize the following investment strategy:

***Attractive Current Yield on Investment Portfolio.*** We believe our sourcing network allows us to enter into transactions with attractive yields and investment structures. Based on current market conditions and our pipeline of new investments, we expect our target directly originated senior and unitranche secured debt will have an average maturity of three to five years and interest rates of 7% to 13%, and we expect our target directly originated junior secured debt and unsecured subordinated debt will have an average maturity of four to seven years and interest rates of 10% to 15%. In addition, based on current market conditions and our pipeline of new investments, we expect that our target debt investments will typically have a variable coupon (with a LIBOR floor), may include payment-in-kind, or PIK, interest (interest that is not received in cash, but added to the principal balance of the loan), and that we will typically receive upfront closing fees of 1% to 4%. We may also receive warrants or other forms of upside equity participation. Our transactions are generally secured and supported by a lien on all assets and/or a pledge of company stock in order to provide priority of return and to influence any corporate actions. Although we will target investments with the characteristics described in this paragraph, we cannot assure you that our new investments will have these characteristics and we may enter into investments with different characteristics as the market dictates. For a description of the characteristics of our current investment portfolio, see Management s Discussion and Analysis of Financial Condition and Results of Operations Portfolio and Investment Activity. Until investment opportunities can be found, we may invest our undeployed capital in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Use of Proceeds.

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

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

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# Competitive Strengths

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

***Deep, Experienced Management Team.*** We are managed by MC Advisors, which has access through the Staffing Agreement to Monroe Capital s experienced team comprised of over 90 professionals, including seven senior partners that average more than 25 years of direct lending experience. We are led by our Chairman and Chief Executive Officer, Theodore L. Koenig, and Aaron D. Peck, our Chief Financial Officer and Chief Investment Officer. This extensive experience includes the management of investments with borrowers of varying credit profiles and transactions completed in all phases of the credit cycle. Monroe Capital s senior investment professionals provide us with a difficult-to-replicate sourcing network and a broad range of transactional, financial, managerial and investment skills. This expertise and experience is supported by administrative and back office personnel focused on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. From Monroe Capital s formation in 2004 through June 30, 2018, Monroe Capital s investment professionals invested in more than 1,250 loan and related investments with an aggregate principal value of over $9.0 billion.

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

***Extensive Institutional Platform for Originating Middle-Market Deal Flow.*** Monroe Capital s broad network of relationships and significant origination resources enable us to review numerous lending opportunities, permitting us to exercise a high degree of selectivity in terms of loans to which we ultimately commit. Monroe Capital estimates that it reviewed approximately 2,000 investment opportunities during 2017. Monroe Capital s over 1,250 previously executed transactions, over 475 of which are with current borrowers, offer us another source of deal flow, as these debt investments reach maturity or seek refinancing. We believe we are also positioned to benefit from Monroe Capital s established brand name, strong track record in partnering with industry participants and reputation for closing deals on time and as committed. Monroe Capital s senior investment professionals are complemented by extensive experience in capital markets transactions, risk management and portfolio monitoring.

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

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

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# Credit Facility

We have a credit facility with ING Capital LLC, or the Lender, as agent, which as of June 30, 2018 consisted of a revolving line of credit of $200.0 million, which may be increased to up to $300.0 million pursuant to an accordion feature.

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

- total borrowing capacity currently equal to $200.0 million and up to $300.0 million pursuant to an accordion feature, subject to, among other things, availability under a defined borrowing base, which varies based on our portfolio characteristics and certain eligibility criteria and concentration limits, as well as valuation methodologies;
- an interest rate equal to, at our election, (a) LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% per annum, or (b) a daily rate equal to 1.75% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%;
- in addition to the stated interest rate on borrowings under the revolving credit facility, we are required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing; and
- customary financial covenants and negative covenants and events of default.

As of June 30, 2018, we had U.S. dollar borrowings of $106.0 million and non-U.S. dollar borrowings denominated in Great Britain pounds of £14.8 million ($19.5 million in U.S. dollars) under our revolving credit facility and availability of $74.5 million.

# MRCC SBIC

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

On April 13, 2016, MRCC SBIC was approved by the SBA for an additional $75.0 million in SBA-guaranteed debentures, for a total of $115.0 million in available debentures. As of June 30, 2018, MRCC SBIC had $57.6 million in leverageable capital (approximately 11.2% of our total assets) and $115.0 million in SBA-guaranteed debentures outstanding.

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

## Operating and Regulatory Structure

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

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As a business development company, we are required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of notes, other borrowings and shares of preferred stock, our ability to use leverage is limited in significant respects. We are required to maintain an asset coverage ratio, as defined in the 1940 Act, of at least 150%, effective June 21, 2018. See Regulation in the accompanying prospectus. Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See Risk Factors Risks Relating to our Business and Structure We maintain a revolving credit facility and may use other borrowed funds to make investments or fund our business operations, which exposes us to risks typically associated with leverage and increases the risk of investing in us in the accompanying prospectus and Risk Factors Recent legislation allows us to incur additional leverage.

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

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

# Conflicts of Interests

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

Affiliates of MC Advisors manage other assets in five closed-end funds, two small business investment companies and 12 private funds that also have an investment strategy focused primarily on senior, unitranche and junior secured debt and, to a lesser extent, unsecured subordinated debt to lower middle-market companies. In addition, MC Advisors and/or its affiliates may manage other entities in the future with an investment focus similar to ours, including a closed-end non-diversified management company that intends to be regulated as a business development company, which has been formed but has not yet commenced operations. To the extent that we compete with entities managed by MC Advisors or any of its affiliates for a particular investment opportunity, MC Advisors seeks to allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (a) its internal conflict of interest and allocation policies, (b) the requirements of the Advisers Act and (c) certain restrictions under the 1940 Act and rules thereunder regarding co-investments with affiliates. MC Advisors allocation policies are intended to ensure that we may generally share equitably with other investment funds or other investment vehicles managed by

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MC Advisors or its affiliates in investment opportunities, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer, which may be suitable for us and such other investment funds or other investment vehicles.

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

## Corporate History and Additional Information

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

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

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# Risk Factors

The value of our assets, as well as the market price of our securities will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. A material portion of our portfolio may have exposure to specific industries. See Risk Factors beginning on page S-16 of this prospectus supplement and beginning on page 13 of the accompanying prospectus for a more detailed discussion of the material risks you should carefully consider before deciding to invest in the Notes.

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# THE OFFERING

This summary sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and the accompanying prospectus. This section and the Description of the Notes section in this prospectus supplement outline the specific legal and financial terms of the Notes. You should read this section of the prospectus supplement together with the section titled Description of the Notes beginning on page S-54 of this prospectus supplement and the more general description of the Notes in the section titled Description of Our Debt Securities beginning on page 148 of the accompanying prospectus before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer

Monroe Capital Corporation

Title of the securities

5.75% Notes due 2023

Initial aggregate principal amount being offered

$60,000,000

Over-allotment option

The underwriters may also purchase from us up to an additional $9,000,000 aggregate principal amount of Notes offered by this prospectus supplement and the accompanying prospectus within 30 days of the date of this prospectus supplement.

Initial public offering price

100% of the aggregate principal amount.

Principal payable at maturity

100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the trustee, paying agent, and security registrar for the Notes or at such other office as we may designate.

Type of note

Fixed-rate note

Listing

We intend to list the Notes on The Nasdaq Global Select Market within 30 days of the original issue date under the trading symbol MRCCL.

Interest rate

5.75% per year

Day count basis

360-day year of twelve 30-day months

Original issue date

September 12, 2018

Stated maturity date

October 31, 2023

Date Notes start accruing interest

September 12, 2018

Interest payment dates

Every January 31, April 30, July 31 and October 31, commencing October 31, 2018. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.

Interest periods

The initial interest period will be the period from and including September 12, 2018, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.

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| Regular record dates for interest payments | Every January 15, April 15, July 15 and October 15, commencing October 15, 2018. |

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| Specified currency | U.S. Dollars |
| Place of payment | St. Paul, Minnesota and/or such other places that may be specified in the indenture or a notice to holders. |
| Ranking of notes | The Notes will be our direct unsecured obligations and will rank: |

- pari passu, or equal, with any future unsecured, unsubordinated indebtedness;
- senior to any of our future indebtedness that expressly provides it is subordinated to the Notes;
- effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured in respect of which we subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the ING Credit Facility, of which $114.4 million was outstanding as of August 31, 2018; and
- structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including the SBA-guaranteed debentures issued by MRCC SBIC, which, as of August 31, 2018, had total indebtedness outstanding of $115.0 million.

Effective subordination means that in any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors. Structural subordination means that creditors of a parent entity are subordinate to creditors of a subsidiary entity with respect to the subsidiary s assets.

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| Denominations | We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof. |
| Business day | Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the City of New York or another place of payment are authorized or obligated by law or executive order to close. |
| Optional redemption | The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after October 31, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest payments otherwise payable thereon for the then-current quarterly interest period accrued to, but excluding, the date fixed for redemption. |

You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes

are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes.

Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act.

If we redeem only some of the Notes, the trustee or DTC, as applicable, will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture governing the Notes and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

Sinking fund

The Notes will not be subject to any sinking fund.

Repayment at option of holders

Holders will not have the option to have the Notes repaid prior to the stated maturity date.

Defeasance

The Notes are subject to defeasance by us. Defeasance means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions required under the indenture relating to the Notes, we will be deemed to have been discharged from our obligations under the Notes. See Description of the Notes Defeasance in this prospectus supplement.

Covenant defeasance

The Notes are subject to covenant defeasance by us. In the event of a covenant defeasance, upon depositing such funds and satisfying conditions similar to those for defeasance we would be released from certain covenants under the indenture relating to the Notes. The consequences to the holders of the Notes would be that, while they would no longer benefit from certain covenants under the indenture, and while the Notes could not be accelerated for any reason, the holders of the Notes nonetheless could look to the Company for repayment of the Notes if there were a shortfall in the funds deposited with the trustee or the trustee is prevented from making a payment. See Description of the Notes Defeasance in this prospectus supplement.

Form of notes

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.

Trustee, paying agent, and security registrar

U.S. Bank National Association

Other covenants

In addition to any covenants described elsewhere in this prospectus supplement or the accompanying prospectus, the following covenants will apply to the Notes:

We agree that for the period of time during which Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by such provisions of Section 61(a) as may be applicable to the Company from time to time of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC. These provisions generally prohibit us from incurring additional borrowings, including through the issuance of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowings. See Risk Factors Risks Related to the Notes Recent legislation allows us to incur additional leverage in this prospectus supplement;

We agree that for the period of time during which Notes are Outstanding, the Company will not declare any dividend (except a dividend payable in stock of the issuer), or declare any other distribution, upon a class of the capital stock of the Company, or purchase any such capital stock, unless, in every such case, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, the Company has an asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) of at least the threshold specified in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to the Company from time to time or any successor provisions thereto of the 1940 Act, as such obligation may be amended or superseded, after deducting the amount of such dividend, distribution or purchase price, as the case may be, and in each case giving effect to (i) any exemptive relief granted to the Company by the Commission, and (ii) any SEC no-action relief granted by the Commission to another business development company, or BDC, (or to the Company if it determines to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to the Company from time to time, as such obligation may be amended or superseded, in order to maintain such BDC s status as a regulated investment company under Subchapter M of the Code. For the purposes of determining asset coverage as used above, any and all of our indebtedness, including any outstanding

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borrowings under the ING Credit Facility and any successor or additional credit facility, shall be deemed a senior security of us; and

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ), to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP.

Events of default

You will have rights if an Event of Default occurs with respect to the Notes and is not cured.

The term Event of Default in respect of the Notes means any of the following:

We do not pay the principal of any Note when due and payable at maturity;

We do not pay interest on any Note when due and payable, and such default is not cured within 30 days of its due date;

We remain in breach of any other covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the outstanding Notes);

We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days; or

On the last business day of each of twenty-four consecutive calendar months, the Notes have an asset coverage of less than 100%, giving effect to any exemptive relief granted to us by the SEC.

Further issuances

We have the ability to issue additional debt securities under the indenture with terms different from the Notes and, without the consent of the holders of the Notes, to reopen the Notes and issue additional Notes. If we issue additional debt securities, these additional debt securities could have a lien or other security interest greater than that accorded to the holders of the Notes, which are unsecured.

Use of proceeds

We estimate that the net proceeds we will receive from the sale of the Notes will be approximately $57.7 million (or approximately $66.4 million if the underwriters exercise their over-allotment option in full) based on a public offering price of $25 per Note, after deducting the underwriting discount of approximately $1.9 million (or approximately $2.2 million if the underwriters fully exercise their over-allotment option) payable by us and estimated offering expenses of approximately $0.4 million payable by us.

We intend to use the net proceeds from this offering to repay a portion of our indebtedness under the ING Credit Facility, invest in portfolio companies in accordance with our investment objectives and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses from the net proceeds of this offering. See Use of Proceeds.

Governing law

The Notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

Global clearance and settlement procedures

Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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# RISK FACTORS

*Investing in the Notes involves a number of significant risks. Before you invest in the Notes, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occurs, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value could decline, and you may lose all or part of your investment.*

## Risks Related to the Notes

### The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future and will rank pari passu with, or equal to, all outstanding and future unsecured indebtedness issued by us and our general liabilities.

The Notes will not be secured by any of our assets or any of the assets of any of our subsidiaries. As a result, the Notes will be effectively subordinated to any secured indebtedness we or our subsidiaries have outstanding as of the date of this prospectus supplement (including the ING Credit Facility) or that we or our subsidiaries may incur in the future (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our secured indebtedness or secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of August 31, 2018, we had $114.4 million in outstanding indebtedness under the ING Credit Facility. The indebtedness under the ING Credit Facility is effectively senior to the Notes to the extent of the value of the assets securing such indebtedness.

### The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes will be obligations exclusively of Monroe Capital Corporation, and not of any of our subsidiaries. None of our subsidiaries will be a guarantor of the Notes, and the Notes will not be required to be guaranteed by any subsidiary we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such entities (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such entities. Even if we are recognized as a creditor of one or more of these entities, our claims would still be effectively subordinated to any security interests in the assets of any such entity and to any indebtedness or other liabilities of any such entity senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities, including trade payables, of any of our existing or future subsidiaries, including MRCC SBIC. As of August 31, 2018, our subsidiaries had total indebtedness outstanding of $115.0 million. In addition, in the future our subsidiaries may incur substantial additional indebtedness, all of which is and would be structurally senior to the

Notes.

## The indenture under which the Notes will be issued contains limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have a material adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in those entities and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in each case, to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowings. See Recent legislation allows us to incur additional leverage below;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including subordinated indebtedness, in each case other than dividends, purchases, redemptions or payments that would cause our asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) to fall below the threshold specified in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, giving effect to (i) any exemptive relief granted to us by the SEC and (ii) no-action relief granted by the SEC to another BDC (or to us if we determine to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time in order to maintain the BDC s status as a RIC under Subchapter M of the Code. These provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 150% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase. For the purposes of determining asset coverage as used above, any and all of our indebtedness, including any outstanding borrowings under the ING Credit Facility and any successor or additional credit facility, shall be deemed a senior security of us;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture (as defined in Description of the Notes ) will not require us to make an offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

Our ability to recapitalize, incur additional debt (including additional debt that matures prior to the maturity of the Notes), and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

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Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for, trading levels, and prices of the Notes.

## There is no existing trading market for the Notes and, even if The Nasdaq Global Select Market approves the listing of the Notes, an active trading market for the Notes may not develop, which could limit your ability to sell the Notes and/or the market price of the Notes.

The Notes will be a new issue of debt securities for which there initially will not be a trading market. We intend to list the Notes on The Nasdaq Global Select Market within 30 days of the original issue date under the symbol MRCCL. However, there is no assurance that the Notes will be approved for listing on The Nasdaq Global Select Market.

Moreover, even if the listing of the Notes is approved, we cannot provide any assurances that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion.

Accordingly, we cannot assure you that the Notes will be approved for listing on The Nasdaq Global Select Market, that a liquid trading market will develop or be maintained for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

## Our amount of debt outstanding will increase as a result of this offering, and if we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

As of August 31, 2018, we had approximately $114.4 million of indebtedness outstanding under the ING Credit Facility. Any default under the agreements governing our indebtedness, including a default under the ING Credit Facility or other indebtedness to which we may be a party that is not waived by the required lenders, and the remedies sought by lenders or the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including the ING Credit Facility), we could be in default under the terms of the agreements governing such indebtedness, including the Notes. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the ING Credit Facility or other debt we may incur in the future could elect to terminate their commitment, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation.

Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the ING Credit Facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes, our other debt, and to fund other liquidity needs.

If our operating performance declines and we are not able to generate sufficient cash flow to service our debt obligations, we may in the future need to refinance or restructure our debt, including any Notes sold, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the lenders under the ING Credit Facility or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt. If we breach our covenants under the ING Credit Facility or any of our other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders thereof. If this occurs, we would be in default under the ING Credit Facility or other debt, the lenders or holders could exercise rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt, including the ING Credit Facility. Because the ING Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if we have a default under the terms of the Notes, the obligations under the ING Credit Facility or any future credit facility may be accelerated and we may be unable to repay or finance the amounts due.

## We may choose to redeem the Notes when prevailing interest rates are relatively low.

On or after October 31, 2020, we may choose to redeem the Notes from time to time, especially if prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, and we redeem the Notes, you likely would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches.

## Recent legislation allows us to incur additional leverage.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our total assets). However, on March 23, 2018, the Small Business Credit Availability Act (the SBCAA ) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCAA amended the 1940 Act to allow BDCs to decrease their asset coverage requirement from 200% to 150% (i.e. the amount of debt may not exceed 66.7% of the value of our total assets), if certain requirements are met. Under the SBCAA, we are allowed to reduce our asset coverage requirement to 150%, and thereby increase our leverage capacity, if shareholders representing at least a majority of the votes cast, when quorum is met, approve a proposal to do so. Alternatively, the SBCAA allows the majority of our independent directors to approve the reduction in our asset coverage requirement to 150%, and such approval would become effective after one year. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to reduce our asset coverage requirement to 150%, our leverage capacity and usage, and risks related to leverage.

On March 27, 2018, our board of directors unanimously approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCAA. On March 27, 2018, our board of directors also recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage requirements at our annual meeting of stockholders to be held on June 20, 2018. At the annual meeting, our stockholders approved this proposal, and we became subject to the 150% minimum asset coverage ratio, effective June 21, 2018.

Leverage is generally considered a speculative investment technique and increases the risk of investing in our securities. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay distributions, scheduled debt payments or other payments related to our securities. The effects of leverage would cause any decrease in net asset value for any losses to be greater than any increase in net asset value for any corresponding gains.

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## Incurring additional leverage may magnify our exposure to risks associated with changes in interest rates, including fluctuations in interest rates which could adversely affect our profitability.

If we incur additional leverage, general interest rate fluctuations may have a more significant negative impact on our investments and investment opportunities than they would have absent such additional incurrence, and, accordingly, may have a material adverse effect on our investment objectives and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we may borrow money to make investments and may issue additional debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these borrowed funds.

We expect that a majority of our investments in debt will continue to be at floating rates with a floor. However, in the event that we make investments in debt at variable rates, a significant increase in market interest rates could also result in an increase in our non-performing assets and a decrease in the value of our portfolio because our floating-rate loan portfolio companies may be unable to meet higher payment obligations. In periods of rising interest rates, our cost of funds would increase, resulting in a decrease in our net investment income. Incurring additional leverage will magnify the impact of an increase to our cost of funds. In addition, a decrease in interest rates may reduce net income, because new investments may be made at lower rates despite the increased demand for our capital that the decrease in interest rates may produce. To the extent our additional borrowings are in fixed-rate instruments, we may be required to invest in higher-yield securities in order to cover our interest expense and maintain our current level of return to stockholders, which may increase the risk of an investment in our securities.

## A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our securities, if any, could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain our credit ratings or to advise holders of Notes of any changes in our credit ratings. There can be no assurance that our credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit ratings, such as adverse changes in our company, so warrant.

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# SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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# USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of the Notes will be approximately $57.7 million (or approximately $66.4 million if the underwriters exercise their over-allotment option in full) based on a public offering price of $25 per Note, after deducting underwriting discounts and commissions of approximately $1.9 million (or approximately $2.2 million if the underwriters fully exercise their over-allotment option) payable by us and estimated offering expenses of approximately $0.4 million payable by us.

We intend to use all or substantially all of the net proceeds from this offering to repay a portion of our indebtedness under the ING Credit Facility, invest in portfolio companies in accordance with our investment objectives and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses from the net proceeds of this offering. As of August 31, 2018, we had $114.4 million of indebtedness outstanding under the ING Credit Facility, which bore interest at a rate of 4.75% as of such date. This indebtedness bears an interest rate equal to, at our election, either (a) LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% per annum, or (b) a daily rate equal to 1.75% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or three-month LIBOR plus 1.0%. The ING Credit Facility matures on December 14, 2020, subject to extension as mutually agreed by us and the lender, and has been used to make investments in our portfolio companies.

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

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

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# RATIO OF EARNINGS TO FIXED CHARGES

For the six months ended June 30, 2018, and the fiscal years ended December 31, 2017, 2016, 2015, 2014 and 2013, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

| | Six months ended June 30, 2018 | Year ended December 31, 2017 | Year ended December 31, 2016 | Year ended December 31, 2015 | Year ended December 31, 2014 | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|
| Earnings to Fixed Charges | 202.5 % | 247.4 % | 469.3 % | 432.9 % | 421.9 % | 435.8 % |

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in net assets resulting from operations plus (or minus) income tax provision (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees and amortization of deferred financing fees.

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# CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018:

on an actual basis; and

on an as adjusted basis giving effect to the $2.3 million of common stock sold from June 30, 2018 to August 31, 2018 at an average price of $13.78 per share and for the sale of $60 million aggregate principal amount of the Notes offered by this prospectus supplement and the accompanying prospectus (assuming no exercise of the over-allotment option) based on a public offering price of $25 per Note, after deducting the underwriting discounts and commissions of approximately $1.9 million payable by us and estimated offering expenses of approximately $0.4 million payable by us but before the use of proceeds from this offering as described in Use of Proceeds in this prospectus supplement.

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

| | As of June 30, 2018 | |
|---|---|---|
| | Actual | As Adjusted |
| | (unaudited)<br>(in thousands, except per share data) | |
| Assets: | | |
| Cash | $2,779 | $62,745 |
| Restricted cash | 4,252 | 4,252 |
| Investments at fair value | 498,235 | 498,235 |
| Other assets | 8,337 | 8,337 |
| Total assets | $513,603 | $573,569 |
| Liabilities: | | |
| Debt | $236,034 | $293,759 |
| Other liabilities | 6,861 | 6,861 |
| Total liabilities | $242,895 | $300,620 |
| Net Assets: | | |
| Common stock, $0.001 par value, 100,000 shares authorized, 20,279 shares issued and outstanding actual, 20,445 shares issued and outstanding, as adjusted | $20 | $20 |
| Capital in excess of par value | 286,651 | 288,892 |
| Undistributed net investment income (accumulated distributions in excess of net investment income) | 8,907 | 8,907 |
| Accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions | (369) | (369) |
| Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings | (24,501) | (24,501) |
| Total net assets | $270,708 | $272,949 |
| Net asset value per share | $13.35 | $13.35 |

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# SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 are derived from our consolidated financial statements that have been audited by RSM US LLP, our independent registered public accounting firm. We derived the selected consolidated financial data as of and for the six months ended June 30, 2018 and 2017 from our unaudited interim consolidated financial statements. In the opinion of the Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. Interim results are subject to variation and are not indicative of the results of operations to be expected for a full fiscal year. This consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement.

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(1) For the six months ended June 30, 2018 and 2017, MC Advisors waived part one incentive fees (based on net investment income) of zero and $0.3 million, respectively. During the years ended December 31, 2017, 2016, 2015, 2014 and 2013, MC Advisors waived part one incentive fees of $0.3 million, $0.3 million, zero, zero and zero, respectively.

(2) Our management monitors available taxable earnings, including net investment income and realized capital gains, to determine if a tax return of capital may occur for the year. To the extent that our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a tax return of capital to our stockholders. The tax character of distributions will be determined at the end of the fiscal year.

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

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

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

(6) The weighted average annualized effective yield on portfolio investments at year end is computed by dividing (a) interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end effective rate for each investment by (b) the par value of our debt investments (excluding debt investments on non-accrual status acquired for no cost in a restructuring) and the cost basis of our preferred equity investments. The weighted average annualized effective yield on portfolio investments is a metric on the investment portfolio alone and does not represent a return to stockholders. This metric is not inclusive of our fees and expenses, the impact of leverage on the portfolio or sales load that may be paid by investors.

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# SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

The following table sets forth certain unaudited quarterly financial information for the quarters ended June 30, 2018, March 31, 2018 and each quarter in our two most recent fiscal years, which were the calendar years ended December 31, 2017 and 2016. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

| | For the quarter ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2018 | March 31, 2018 | December 31, 2017 | September 30, 2017 | June 30, 2017 |
| | (in thousands, except per share data) | | | | |
| Total investment income | $14,820 | $14,950 | $13,364 | $13,469 | $12,268 |
| Net investment income | $7,906 | $8,465 | $6,995 | $6,887 | $6,088 |
| Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings | $(3,626) | $(7,075) | $(4,754) | $(569) | $(5,064) |
| Net increase (decrease) in net assets resulting from operations | $4,280 | $1,390 | $2,241 | $6,318 | $1,024 |
| Net investment income per share basic and diluted | $0.39 | $0.42 | $0.35 | $0.34 | $0.35 |
| Net increase (decrease) in net assets resulting from operations per share basic and diluted | $0.21 | $0.07 | $0.11 | $0.31 | $0.06 |
| Net asset value per share at period end | $13.35 | $13.49 | $13.77 | $14.01 | $14.05 |

| | For the quarter ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 | March 31, 2016 |
| | (in thousands, except per share data) | | | | |
| Total investment income | $12,006 | $11,233 | $11,128 | $11,118 | $11,539 |
| Net investment income | $6,034 | $5,377 | $5,583 | $5,759 | $5,787 |
| Net gain (loss) on investments and secured borrowings | $(3,465) | $2,155 | $(1,971) | $(482) | $2,157 |
| Net increase (decrease) in net assets resulting from operations | $2,569 | $7,532 | $3,612 | $5,277 | $7,944 |
| Net investment income per share basic and diluted | $0.36 | $0.32 | $0.36 | $0.44 | $0.44 |
| Net increase (decrease) in net assets resulting from operations per share basic and diluted | $0.15 | $0.45 | $0.23 | $0.41 | $0.61 |
| Net asset value per share at period end | $14.34 | $14.52 | $14.42 | $14.50 | $14.45 |

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

Except as otherwise specified, references to we, us, and our refer to Monroe Capital Corporation and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing in our annual report on Form 10-K (the Annual Report ) for the year ended December 31, 2017, filed with the U.S. Securities and Exchange Commission ( SEC ) on March 14, 2018 and in the accompanying prospectus. The information contained in this section should also be read in conjunction with our unaudited consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and accompanying prospectus.

## Overview

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

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

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through investment in senior, unitranche secured and junior secured debt and, to a lesser extent, subordinated debt and equity investments. We seek to use our extensive leveraged finance origination infrastructure and broad expertise in sourcing loans to invest in primarily senior, unitranche secured and junior secured debt of middle-market companies. Our investments in senior, unitranche, junior secured debt and other investments generally will range between $2.0 million and $18.0 million each, although this investment size may vary proportionately with the size of our capital base. As of June 30, 2018, our portfolio included approximately 77.8% senior secured debt, 10.3% unitranche secured debt, 5.7% junior secured debt and 6.2% equity securities, compared to December 31, 2017, when our portfolio included approximately 78.5% senior secured debt, 8.2% unitranche secured debt, 7.8% junior secured debt and 5.5% equity securities. We expect that the companies in which we invest may be leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in certain cases, will not be rated by national ratings agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor s system) from the national rating agencies.

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

On February 28, 2014, our wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP ( MRCC SBIC ), a Delaware limited partnership, received a license from the Small Business Administration ( SBA ) to operate as a Small Business Investment Company ( SBIC ) under Section 301(c) of the Small Business Investment Act of 1958. MRCC SBIC commenced operations on September 16, 2013. As of June 30, 2018, MRCC SBIC had $57.6 million in leverageable capital and $115.0 million in SBA-guaranteed debentures outstanding. See *SBA Debentures* below for more information.

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## Investment income

We generate interest income on the debt investments in portfolio company investments that we originate or acquire. Our debt investments, whether in the form of senior, junior or unitranche secured debt, typically have an initial term of three to seven years and bear interest at a fixed or floating rate. In some instances we receive payments on our debt investment based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. In some cases, our investments provide for deferred interest or payment-in-kind ( PIK ) interest. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums and prepayment gains (losses) on loans as interest income. As the frequency or volume of the repayments which trigger these prepayment premiums and prepayment gains (losses) may fluctuate significantly from period to period, the associated interest income recorded may also fluctuate significantly from period to period. Interest and fee income is recorded on the accrual basis to the extent we expect to collect such amounts. 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. We record fees on loans based on the determination of whether the fee is considered a yield enhancement or payment for a service. If the fee is considered a yield enhancement associated with a funding of cash on a loan, the fee is generally deferred and recognized into interest income using the effective interest method if captured in the cost basis or using the straight-line method if the loan is unfunded and therefore there is no cost basis. If the fee is not considered a yield enhancement because a service was provided, and the fee is payment for that service, the fee is deemed earned and recognized as fee income in the period earned.

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

## Expenses

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

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

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

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# Portfolio and Investment Activity

During the three months ended June 30, 2018, we invested $13.6 million in five new portfolio companies and $26.7 million in 14 existing portfolio companies and had $34.8 million in aggregate amount of sales and principal repayments, resulting in net investments of $5.5 million for the period.

During the six months ended June 30, 2018, we invested $18.5 million in six new portfolio companies and $54.3 million in 19 existing portfolio companies and had $60.4 million in aggregate amount of sales and principal repayments, resulting in net investments of $12.4 million for the period.

During the three months ended June 30, 2017, we invested $62.4 million in eight new portfolio companies and $11.0 million in 12 existing portfolio companies and had $41.6 million in aggregate amount of sales and principal repayments, resulting in net investments of $31.8 million for the period.

During the six months ended June 30, 2017, we invested $89.7 million in 10 new portfolio companies and $25.2 million in 18 existing portfolio companies and had $75.5 million in aggregate amount of sales and principal repayments, resulting in net investments of $39.4 million for the period.

The following table shows yield by debt and preferred equity security type:

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Weighted Average Annualized Contractual Coupon Yield(1) | Weighted Average Annualized Effective Yield(2) | Weighted Average Annualized Contractual Coupon Yield(1) | Weighted Average Annualized Effective Yield(2) |
| Senior secured loans | 9.9 % | 9.9 % | 9.6 % | 9.6 % |
| Unitranche secured loans | 10.2 | 10.5 | 9.3 | 11.3 |
| Junior secured loans | 9.8 | 9.8 | 9.4 | 9.4 |
| Preferred equity securities | 10.8 | 10.8 | 10.8 | 10.8 |
| Total | 9.9 % | 10.0 % | 9.8 % | 10.0 % |

(1) The weighted average annualized contractual coupon yield at period end is computed by dividing (a) the interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end contractual coupon rate for each investment by (b) the par value of our debt investments (excluding debt investments on non-accrual status acquired for no cost in a restructuring) and the cost basis of our preferred equity investments.

(2) The weighted average annualized effective yield on portfolio investments at period end is computed by dividing (a) interest income on debt investments and preferred equity investments (with a stated coupon rate) at the period end effective rate for each investment by (b) the par value of our debt investments (excluding debt investments on non-accrual status acquired for no cost in a restructuring) and the cost basis of our preferred equity investments. The weighted average annualized effective yield on portfolio investments is a metric on the investment portfolio alone and does not represent a return to stockholders. This metric is not inclusive of our fees and expenses, the impact of leverage on the portfolio or sales load that may be paid by investors.

The following table shows the composition of the investment portfolio (dollars in thousands):

| | June 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| **Fair Value:** | | | | | | |
| Senior secured loans | $ 387,639 | 77.8 | % | $ 387,874 | 78.5 | % |
| Unitranche secured loans | 51,485 | 10.3 | | 40,295 | 8.2 | |
| Junior secured loans | 28,515 | 5.7 | | 38,549 | 7.8 | |
| LLC equity interest in SLF | 18,693 | 3.8 | | 9,640 | 1.9 | |
| Equity securities | 11,903 | 2.4 | | 17,780 | 3.6 | |
| Total | $ 498,235 | 100.0 | % | $ 494,138 | 100.0 | % |

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Our portfolio composition remained relatively consistent with December 31, 2017, with the largest shift in portfolio composition a result of the additional investments made in SLF during the six months ended June 30, 2018. The overall contractual and effective yield on the portfolio was relatively flat as compared to December 31, 2017. General increases in LIBOR during the six months ended June 30, 2018 were partially offset by market spread compression as new portfolio investments during the six months ended June 30, 2018 were at a slightly lower average spread than the average spread in the existing portfolio.

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

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Aerospace & Defense | $ | % | $ 5,000 | 1.0 % |
| Banking, Finance, Insurance & Real Estate | 61,442 | 12.3 | 61,407 | 12.4 |
| Beverage, Food & Tobacco | 17,340 | 3.5 | 17,770 | 3.6 |
| Capital Equipment | 2,969 | 0.6 | | |
| Chemicals, Plastics & Rubber | 12,785 | 2.6 | 8,860 | 1.8 |
| Construction & Building | 17,652 | 3.5 | 18,049 | 3.7 |
| Consumer Goods: Durable | 15,551 | 3.1 | 11,808 | 2.4 |
| Consumer Goods: Non-Durable | 31,773 | 6.4 | 24,717 | 5.0 |
| Containers, Packaging & Glass | 8,382 | 1.7 | 4,928 | 1.0 |
| Energy: Oil & Gas | 2,234 | 0.4 | 2,352 | 0.5 |
| Environmental Industries | 4,364 | 0.9 | 4,457 | 0.9 |
| Healthcare & Pharmaceuticals | 63,972 | 12.8 | 65,582 | 13.3 |
| High Tech Industries | 53,931 | 10.8 | 46,239 | 9.4 |
| Hotels, Gaming & Leisure | 26,209 | 5.3 | 42,744 | 8.6 |
| Investment Funds & Vehicles | 18,693 | 3.8 | 9,640 | 2.0 |
| Media: Advertising, Printing & Publishing | 26,830 | 5.4 | 23,264 | 4.7 |
| Media: Broadcasting & Subscription | 15,003 | 3.0 | 15,965 | 3.2 |
| Media: Diversified & Production | 5,006 | 1.0 | 5,006 | 1.0 |
| Retail | 33,141 | 6.6 | 41,644 | 8.4 |
| Services: Business | 33,094 | 6.6 | 33,732 | 6.8 |
| Services: Consumer | 18,207 | 3.7 | 21,474 | 4.3 |
| Telecommunications | | | 3,152 | 0.6 |
| Utilities: Electric | 2,785 | 0.6 | 2,792 | 0.6 |
| Utilities: Water | 932 | 0.2 | | |
| Wholesale | 25,940 | 5.2 | 23,556 | 4.8 |
| **Total** | **$ 498,235** | **100.0** % | **$ 494,138** | **100.0** % |

# Portfolio Asset Quality

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

As part of the monitoring process, MC Advisors regularly assesses the risk profile of each of our investments and rates each of them based on an internal proprietary system that uses the categories listed below, which we refer to as MC Advisors investment performance rating. For any investment rated in grades 3, 4 or 5, MC Advisors will increase its monitoring intensity and prepare regular updates for the investment

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committee, summarizing current operating results and material impending events and suggesting recommended actions. MC Advisors monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, MC Advisors reviews these investment ratings on a quarterly basis, and our board of directors (the Board ) reviews and affirms such ratings. A definition of the rating system follows:

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

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

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

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The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of June 30, 2018 (dollars in thousands):

| Investment Performance Rating | Investments at Fair Value | Percentage of Total Investments | |
|---|---|---|---|
| 1 | $ 3,451 | 0.7 | % |
| 2 | 402,031 | 80.7 | |
| 3 | 57,475 | 11.5 | |
| 4 | 35,090 | 7.1 | |
| 5 | 188 | | |
| Total | $ 498,235 | 100.0 | % |

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

| Investment Performance Rating | Investments at Fair Value | Percentage of Total Investments | |
|---|---|---|---|
| 1 | $ 3,445 | 0.7 | % |
| 2 | 415,094 | 84.0 | |
| 3 | 57,547 | 11.6 | |
| 4 | 18,052 | 3.7 | |
| 5 | | | |
| Total | $ 494,138 | 100.0 | % |

As of June 30, 2018, we had four borrowers with loans and preferred equity securities on non-accrual status (Gibson Brands, LLC senior secured note, Incipio Technologies, Inc. third lien tranches, Millennial Brands LLC and TPP Operating, Inc.), which comprised 2.0% of our total investments at fair value. As of December 31, 2017, we had two borrowers with loans and preferred equity securities on non-accrual status (Millennial Brands LLC and TPP Operating, Inc.), which comprised 1.7% of our total investments at fair value. 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.

# Results of Operations

Operating results were as follows (in thousands):

| | Three months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Total investment income | $ 14,820 | $ 12,268 |
| Total expenses, net of incentive fee waiver | 6,914 | 6,180 |
| Net investment income | 7,906 | 6,088 |
| Net realized gain (loss) on investments | | 2,161 |
| Net realized gain (loss) on secured borrowings | | 66 |

| | | |
|---|---|---|
| Net realized gain (loss) on foreign currency transactions | (9 ) | |
| Net change in unrealized gain (loss) on investments | (4,412 ) | (7,270 ) |
| Net change in unrealized gain (loss) on secured borrowings | | (5 ) |
| Net change in unrealized gain (loss) on foreign currency borrowings | 795 | (16 ) |
| Net increase (decrease) in net assets resulting from operations | $ 4,280 | $ 1,024 |

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| | Six months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Total investment income | $29,770 | $ 24,274 |
| Total expenses, net of incentive fee waiver | 13,399 | 12,152 |
| Net investment income | 16,371 | 12,122 |
| Net realized gain (loss) on investments | | 2,328 |
| Net realized gain (loss) on secured borrowings | | 66 |
| Net realized gain (loss) on foreign currency transactions | 3 | |
| Net change in unrealized gain (loss) on investments | (11,057) | (10,901) |
| Net change in unrealized gain (loss) on secured borrowings | | (6) |
| Net change in unrealized gain (loss) on foreign currency borrowings | 353 | (16) |
| Net increase (decrease) in net assets resulting from operations | $5,670 | $ 3,593 |

## Investment Income

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

| | Three months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest income | $ 12,703 | $ 10,701 |
| Dividend income | 615 | 250 |
| Fee income | 666 | 637 |
| Prepayment gain (loss) | 312 | 322 |
| Accretion of discounts and amortization of premium | 524 | 358 |
| Total investment income | $ 14,820 | $ 12,268 |

| | Six months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest income | $25,329 | $21,089 |
| Dividend income | 1,050 | 500 |
| Fee income | 1,390 | 965 |
| Prepayment gain (loss) | 445 | 974 |
| Accretion of discounts and amortization of premium | 1,556 | 746 |
| Total investment income | $29,770 | $24,274 |

The increase in investment income of $2.6 million and $5.5 million during the three and six months ended June 30, 2018 as compared to the three and six months ended June 30, 2017, is primarily due to an increase in average outstanding loan balances, an increase in the effective rate on the portfolio and an increase in the net accretion of discounts on portfolio assets. During the six months ended June 30, 2018, these increases were also partially offset by a decrease in prepayment gain (loss) as a result of a reduction in the volume of loan payoff activity. The increase in dividend income during the three and six months ended June 30, 2018, as compared to the prior year period, is primarily driven by an increase in dividend income from our investment in SLF of $0.3 million and $0.5 million, respectively.

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## Operating Expenses

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

| | Three months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest and other debt financing expenses | $ 2,836 | $ 2,184 |
| Base management fees | 2,202 | 1,903 |
| Incentive fees, net of incentive fee waiver[1] | 990 | 1,210 |
| Professional fees | 302 | 286 |
| Administrative service fees | 322 | 301 |
| General and administrative expenses | 225 | 259 |
| Directors fees | 37 | 37 |
| Total expenses, net of incentive fee waiver | $ 6,914 | $ 6,180 |

| | Six months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest and other debt financing expenses | $ 5,542 | $ 4,194 |
| Base management fees | 4,365 | 3,708 |
| Incentive fees, net of incentive fee waiver[1] | 1,751 | 2,500 |
| Professional fees | 609 | 577 |
| Administrative service fees | 646 | 631 |
| General and administrative expenses | 401 | 468 |
| Excise taxes | 11 | |
| Directors fees | 74 | 74 |
| Total expenses, net of incentive fee waiver | $ 13,399 | $ 12,152 |

(1) During the three and six months ended June 30, 2018, no incentive fees were waived. During the three and six months ended June 30, 2017, incentive fees of $0.3 million and $0.3 million, respectively, were waived. Incentive fees during the three and six months ended June 30, 2018 were limited by $0.8 million and $1.9 million, respectively, due to the Incentive Fee Limitation. During the three and six months ended June 30, 2017, incentive fees were not limited. See Note 6 in our attached consolidated financial statements for additional information on the Incentive Fee Limitation.

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

| | Three months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest expense revolving credit facility | $ 1,551 | $ 1,385 |
| Interest expense SBA guaranteed debentures | 970 | 518 |
| Amortization of deferred financing costs | 315 | 255 |
| Interest expense secured borrowings | | 13 |

| | | |
|---|---|---|
| Other | | 13 |
| Total interest and other debt financing expenses | $ 2,836 | $ 2,184 |

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| | Six months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| Interest expense revolving credit facility | $ 3,108 | $ 2,730 |
| Interest expense SBA guaranteed debentures | 1,838 | 924 |
| Amortization of deferred financing costs | 596 | 486 |
| Interest expense secured borrowings | | 34 |
| Other | | 20 |
| Total interest and other debt financing expenses | $ 5,542 | $ 4,194 |

The increase in expenses of $0.7 million and $1.2 million, respectively, during the three and six months ended June 30, 2018 as compared to the three and six months ended June 30, 2017, is primarily due to an increase in interest expense as a result of additional borrowings (including SBA-guaranteed debentures) required to support the growth of the portfolio and an increase in base management fees due to the growth in invested assets, partially offset by a decrease in incentive fees due to the Incentive Fee Limitation during the three and six months ended June 30, 2018.

## Net Realized Gain (Loss) on Investments, Secured Borrowings and Foreign Currency Transactions

During the three months ended June 30, 2018 and 2017, we had sales of investments of zero and $2.2 million, respectively, resulting in zero and $2.2 million of net realized gain (loss), respectively. During the six months ended June 30, 2018 and 2017, we had sales of investments of zero and $4.2 million resulting in zero and $2.3 million of net realized gain (loss), respectively.

During the three months ended June 30, 2018 and 2017, we had sales of secured borrowings of zero and $1.3 million resulting in zero and $66 thousand of net realized gain (loss), respectively. During the six months ended June 30, 2018 and 2017, we had sales of secured borrowings of zero and $1.3 million resulting in zero and $66 thousand of net realized gain (loss), respectively.

During the three months ended June 30, 2018 and 2017, we had ($9) thousand and zero of net realized gain (loss) on foreign currency transactions, respectively. During the six months ended June 30, 2018 and 2017, we had $3 thousand and zero of net realized gain (loss) on foreign currency transactions, respectively.

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

For the three months ended June 30, 2018 and 2017, our investments had ($4.4) million and ($7.3) million of net change in unrealized gain (loss), respectively. The net change in unrealized gain (loss) includes both unrealized gain on investments in our portfolio with mark-to-market gains during the period and unrealized loss on investments in our portfolio with mark-to-market losses during the period. The largest contributor to the net unrealized mark-to-market losses during the three months ended June 30, 2018 was our debt investment in TPP Operating, Inc. ( TPP ) of ($3.6) million. During the three months ended June 30, 2018, TPP ceased operations and we, along with the other owners, appointed an assignee and pursuant to Delaware state law completed a General Assignment for the Benefit of Creditors to the assignee. The purpose of the assignment was to wind down the TPP business and distribute assets to its creditors. The assignee has informed us that it will have de minimis assets, if any, to distribute to its creditors. As a result, while we still have debt and equity positions in TPP, we have valued these positions at zero as of June 30, 2018. For the three months ended June 30, 2018 and 2017, our secured borrowings had zero and ($5) thousand of net change in unrealized gain (loss), respectively. For the three months ended June 30, 2018 and 2017, our foreign currency borrowings had $795 thousand and ($16) thousand of net change in unrealized gain (loss), respectively.

For the six months ended June 30, 2018 and 2017, our investments had ($11.1) million and ($10.9) million of net unrealized gain (loss), respectively. The largest contributor to the net unrealized mark-to-market losses during the six months ended June 30, 2018 were our investments in TPP and Rockdale Blackhawk, LLC which contributed net mark-to-market losses of ($8.4) million and ($2.1) million, respectively. For the six months ended June 30, 2018 and 2017, our secured borrowings had zero and

($6) thousand of net unrealized gain (loss), respectively. For the six months ended June 30, 2018 and 2017, our foreign currency borrowings had $353 thousand and ($16) thousand of net change in unrealized gain (loss), respectively.

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

For the three months ended June 30, 2018 and 2017, the net increase in net assets from operations was $4.3 million and $1.0 million, respectively. Based on the weighted average shares of common stock outstanding for the three months ended June 30, 2018 and 2017, our per share net increase in net assets resulting from operations was $0.21 and $0.06, respectively. The $3.3 million increase during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, is primarily the result of a decrease in net unrealized mark-to-market losses on investments in the portfolio and an increase in net investment income.

For the six months ended June 30, 2018 and 2017, the net increase in net assets from operations was $5.7 million and $3.6 million, respectively. Based on the weighted average shares of common stock outstanding for the six months ended June 30, 2018 and 2017, our per share net increase in net assets resulting from operations was $0.28 and $0.21, respectively. The $2.1 million increase during the six months ended June 30, 2018, as compared to six months ended June 30, 2017, is primarily the result of an increase in net investment income, partially offset by a decline in net realized gains on investments in the portfolio.

# Liquidity and Capital Resources

As of June 30, 2018, we had $2.8 million in cash, $4.3 million in cash at MRCC SBIC, $125.5 million of total debt outstanding on our revolving credit facility and $115.0 million in outstanding SBA-guaranteed debentures. We had $74.5 million available for additional borrowings on our revolving credit facility. See *Borrowings* below for additional information.

## Cash Flows

For the six months ended June 30, 2018 and 2017, we experienced a net increase (decrease) in cash and restricted cash of ($0.2) million and $6.9 million, respectively. For the six months ended June 30, 2018, operating activities used $0.4 million, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. For the six months ended June 30, 2017, operating activities used $29.4 million, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. During the six months ended June 30, 2018, we generated $0.2 million from financing activities, primarily as a result of net proceeds from net borrowings on our revolving credit facility and SBA debenture borrowings, partially offset by distributions to stockholders. During the six months ended June 30, 2017, we generated $36.4 million from financing activities primarily as a result of net proceeds from capital raises and SBA debenture borrowings during the period, partially offset by net repayments on our revolving credit facility and distributions to stockholders.

## Capital Resources

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

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our Board, including independent directors, determines that such sale is in the best interests of us and our stockholders, and if our stockholders have approved such sales. On June 20, 2018 our stockholders voted to allow us to sell or otherwise issue common stock at a price below net asset value per share for a period of one year, subject to certain limitations. As of June 30, 2018 and December 31, 2017, we had 20,279,405 and 20,239,957 shares outstanding, respectively.

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

On March 27, 2018, our Board approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. On June 20, 2018, our stockholders approved a proposal to accelerate the effective date of the modified asset coverage requirements. As a result, the asset coverage ratio test applicable to us was decreased from 200% to 150%, effective June 21, 2018.

*Stock Issuances:* On July 1, 2016, we amended the ATM securities offering program with MLV & Co. LLC ( MLV ) and JMP Securities LLC ( JMP ) to replace MLV with FBR Capital Markets & Co. ( FBR ), an affiliate of MLV (the Prior ATM Program ). On May 12, 2017, we entered into new equity distribution agreements with each of FBR and JMP that reference our current registration statement (the ATM Program ). All other material terms of the Prior ATM Program remain unchanged under the ATM Program. During the six months ended June 30, 2017, we sold 173,939 shares at an average price of $15.71 per share for gross proceeds of $2.7 million under the Prior ATM Program and no shares were sold under the ATM Program. Aggregate underwriters discounts and commissions were $41 thousand and offering costs were $23 thousand, resulting in net proceeds of approximately $2.7 million. During the six months ended June 30, 2018, we sold 17,140 shares at an average price of $14.21 per share for gross proceeds of $0.2 million under the ATM. Aggregate underwriters discounts and commissions were $3 thousand and offering costs were $31 thousand, resulting in net proceeds of approximately $0.2 million.

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

## Borrowings

On June 20, 2018, our stockholders approved the application of the reduced asset coverage requirements in Section 61(a)(2) of the Investment Company Act to the Company. As a result of this approval, effective June 21, 2018, we are permitted to borrow amounts such that our asset coverage ratio, as defined in the Investment Company Act, is at least 150% after such borrowing (if certain requirements are met), rather than 200%, as previously required. As of June 30, 2018 and December 31, 2017, our asset coverage ratio based on aggregate borrowings outstanding was 312% and 334%, respectively.

*Revolving Credit Facility:* As of June 30, 2018, we had U.S. dollar borrowings of $106.0 million and non-U.S. dollar borrowings denominated in Great Britain pounds of £14.8 million ($19.5 million in U.S. dollars) under our revolving credit facility with ING Capital LLC, as agent, to finance the purchase of our assets. As of December 31, 2017, we had U.S. dollar borrowings of $105.2 million and non-U.S. dollar borrowings denominated in Great Britain pounds of £8.8 million ($11.9 million in U.S. dollars) under our revolving credit facility with ING Capital LLC, as agent, to finance the purchase of our assets. The borrowings denominated in Great Britain pounds may be positively or negatively affected by movements in the rate of exchange between the U.S. dollar and the Great Britain pound. These movements are beyond our control and cannot be predicted. The borrowings denominated in Great Britain pounds are translated into U.S. dollars based on the spot rate at each balance sheet date. The impact resulting from changes in foreign currency borrowings is included in net change in unrealized gain (loss) on foreign currency borrowings in our consolidated statements of operations and totaled $0.8 million and $0.4 million for the three and six months ended June 30, 2018, and ($16) thousand and ($16) thousand for the three and six months ended June 30, 2017 respectively. As of June 30, 2018, the maximum amount we were able to borrow was $200.0 million and this borrowing can be increased to $300.0 million pursuant to an accordion feature (subject to maintaining 200% asset coverage, as defined by the 1940 Act). On February 22, 2017, we closed a $40.0 million upsize to the revolving credit facility, bringing the maximum amount we are able to borrow from $160.0 million to the now current maximum amount of $200.0 million, in accordance with the facility s accordion feature. The maturity date on the facility is December 14, 2020.

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The revolving credit facility is secured by a lien on all of our assets, including cash on hand, but excluding the assets of our wholly-owned subsidiary, MRCC SBIC. Our ability to borrow under the revolving credit facility is subject to availability under a defined borrowing base, which varies based on portfolio characteristics and certain eligibility criteria and concentration limits, as well as required valuation methodologies. We may make draws under the revolving credit facility to make or purchase additional investments through December 2019 and for general working capital purposes until the maturity date of the revolving credit facility. Borrowings under the revolving credit facility bear interest, at our election, at an annual rate of LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) plus 2.75% or at a daily rate equal to 1.75% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR plus 1.0%. In addition to the stated interest rate on borrowings under the revolving credit facility, we are required to pay a fee of 0.5% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is less than 65% of the then available maximum borrowing or a fee of 1.0% per annum on any unused portion of the revolving credit facility if the unused portion of the facility is greater than or equal to 65% of the then available maximum borrowing. As of June 30, 2018 and December 31, 2017, the outstanding borrowings were accruing at a weighted average interest rate of 4.6% and 4.4%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and six months ended June 30, 2018 was 4.7% and 4.6%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three and six months ended June 30, 2018 was 0.5% and 0.5%, respectively. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and six months ended June 30, 2017 was 4.0% and 4.1%, respectively. The weighted average fee rate on the unused portion of the revolving credit facility for the three and six months ended June 30, 2017 was 0.5% and 0.5%, respectively.

Our ability to borrow under the revolving credit facility is subject to availability under the borrowing base, which permits us to borrow up to 70% of the fair market value of our portfolio company investments depending on the type of the investment we hold and whether the investment is quoted. Our ability to borrow is also subject to certain concentration limits, and our continued compliance with the representations, warranties and covenants given by us under the facility. The revolving credit facility contains certain financial and restrictive covenants, including, but not limited to, our maintenance of: (1) a minimum consolidated total net assets at least equal to the greater of (a) 40% of the consolidated total assets on the last day of each quarter or (b) $120.0 million plus 65% of the net proceeds to us from sales of our securities after December 14, 2015; (2) a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of not less than 2.1 times; and (3) a ratio of earnings before interest and taxes to interest expense of at least 2.5 times. The revolving credit facility also requires us to undertake customary indemnification obligations with respect to ING Capital LLC and other members of the lending group and to reimburse the lenders for expenses associated with entering into the credit facility. The revolving credit facility also has customary provisions regarding events of default, including events of default for nonpayment, change in control transactions at both Monroe Capital Corporation and MC Advisors, failure to comply with financial and negative covenants, and failure to maintain our relationship with MC Advisors. If we incur an event of default under the revolving credit facility and fail to remedy such default under any applicable grace period, if any, then the entire revolving credit facility could become immediately due and payable, which would materially and adversely affect our liquidity, financial condition, results of operations and cash flows.

On April 25, 2018, we entered into an amendment to the revolving credit facility which, among other things, removes the pricing step-down related to our net worth to fix the interest rate the revolving credit facility bears to LIBOR plus 2.75% and makes certain borrowing base changes to allow more flexibility under the revolving credit facility. We paid the lenders an amendment fee of $0.2 million in conjunction with the amendment which has been capitalized within unamortized deferred financing costs and will be amortized into interest expense over the estimated average life of the borrowings.

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

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

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

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

As of June 30, 2018, MRCC SBIC had $57.6 million in leverageable capital and $115.0 million in SBA-guaranteed debentures outstanding. As of December 31, 2017, MRCC SBIC had $57.6 million in leverageable capital and $109.5 million in SBA-guaranteed debentures outstanding.

As of June 30, 2018, MRCC SBIC had the following SBA-guaranteed debentures outstanding (dollars in thousands):

| Maturity Date | Interest Rate | Amount |
|---|---|---|
| September 2024 | 3.4 % | $ 12,920 |
| March 2025 | 3.3 % | 14,800 |
| March 2025 | 2.9 % | 7,080 |
| September 2025 | 3.6 % | 5,200 |
| March 2027 | 3.5 % | 20,000 |
| September 2027 | 3.2 % | 32,100 |
| March 2028 | 3.9 % | 18,520 |
| September 2028 | 3.3 %(1) | 2,180 |
| September 2028 | 3.4 %(1) | 2,200 |
| Total | | $ 115,000 |

As of December 31, 2017, MRCC SBIC had the following SBA-guaranteed debentures outstanding (dollars in thousands):

| Maturity Date | Interest Rate | Amount |
|---|---|---|

| | | |
|---|---|---|
| September 2024 | 3.4 % | $ 12,920 |
| March 2025 | 3.3 % | 14,800 |
| March 2025 | 2.9 % | 7,080 |
| September 2025 | 3.6 % | 5,200 |
| March 2027 | 3.5 % | 20,000 |
| September 2027 | 3.2 % | 32,100 |
| March 2028 | 2.5 %(1) | 9,160 |
| March 2028 | 2.6 %(1) | 2,780 |
| March 2028 | 2.7 %(1) | 5,480 |
| Total | | $ 109,520 |

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

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On October 2, 2014, the Company was granted exemptive relief from the SEC for permission to exclude the debt of MRCC SBIC guaranteed by the SBA from the asset coverage test under the 1940 Act. The receipt of this exemption for this SBA-guaranteed debt increases flexibility under the asset coverage test.

*Secured Borrowings:* Certain partial loan sales do not qualify for sale accounting under Accounting Standards Codification ( ASC ) Topic 860 *Transfers and Servicing* ( ASC Topic 860 ) because these sales do not meet the definition of a participating interest, as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment on the accompanying consolidated statements of assets and liabilities and the portion sold is recorded as a secured borrowing in the liabilities section of the consolidated statements of assets and liabilities. For these partial loan sales, the interest earned on the entire loan balance is recorded within interest income and the interest earned by the buyer in the partial loan sale is recorded within interest and other debt financing expenses in the accompanying consolidated statements of operations. As of June 30, 2018 and December 31, 2017, there were no secured borrowings.

## Distribution Policy

Our Board will determine the timing and amount, if any, of our distributions. We intend to pay distributions on a quarterly basis. In order to avoid corporate-level tax on the income we distribute as a RIC, we must distribute to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis out of the assets legally available for such distributions. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions. Distributions to stockholders for the three and six months ended June 30, 2018, totaled $7.1 million ($0.35 per share) and $14.2 million ($0.70 per share), respectively. Distributions to stockholders for the three and six months ended June 30, 2017, totaled $7.1 million ($0.35 per share) and $12.9 million ($0.70 per share), respectively. The tax character of such distributions is determined at the end of the fiscal year. However, if the character of such distributions were determined as of June 30, 2018 and 2017, no portion of these distributions would have been characterized as a tax return of capital to stockholders.

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

## MRCC Senior Loan Fund I, LLC

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

Company s investment is illiquid in nature as SLF does not allow for withdrawal from the LLC or the sale of a member s interest unless approved by the board of members of SLF. The full withdrawal of a member would result in an orderly wind-down of SLF.

SLF s profits and losses are allocated to us and NLV in accordance with the respective ownership interests. As of both June 30, 2018 and December 31, 2017, we and NLV each owned 50.0% of the LLC equity interests of SLF. As of June 30, 2018, SLF had $100.0 million in equity commitments from its members (in the aggregate), of which $35.7 million was funded. As of December 31, 2017, SLF had $100.0 million in commitments from its members (in the aggregate), of which $19.0 million was funded.

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As of both June 30, 2018 and December 31, 2017, we have committed to fund $50.0 million of LLC equity interest subscriptions to SLF. As of June 30, 2018 and December 31, 2017, $17.9 million and $9.5 million of our LLC equity interest subscriptions to SLF had been called and contributed, net of return of capital distributions subject to recall, respectively.

For the three and six months ended June 30, 2018, we received $0.3 million and $0.5 million dividend income from the SLF LLC equity interests, respectively. For the three and six months ended June 30, 2017, we did not receive dividend income from the SLF LLC equity interests, as we did not make its investment in SLF until November 2017.

SLF has entered into a senior secured revolving credit facility (as amended, the SLF Credit Facility ) with Capital One, N.A., through its wholly-owned subsidiary MRCC Senior Loan Fund I Financing SPV, LLC ( SLF SPV ), which as of June 30, 2018 allowed SLF SPV to borrow up to $100.0 million at any one time, subject to leverage and borrowing base restrictions. Borrowings under the SLF Credit Facility bear interest at an annual rate of LIBOR (three-month) plus 2.25%. The maturity date on the SLF Credit Facility is March 22, 2023.

SLF does not pay any fees to MC Advisors or its affiliates; however, SLF has entered into an administration agreement with MC Management, pursuant to which certain loan servicing and administrative functions are delegated to MC Management. SLF may reimburse MC Management for its allocable share of overhead and other expenses incurred by MC Management. No such expenses have been incurred or charged to SLF through June 30, 2018. There are no agreements or understandings by which we guarantee any SLF obligations.

As of June 30, 2018 and December 31, 2017, SLF had total assets at fair value of $98.6 million and $41.6 million, respectively. As of June 30, 2018 and December 31, 2017, SLF had zero and zero portfolio company investments on non-accrual status, respectively. The portfolio companies in SLF are in industries and geographies similar to those in which we may invest directly. Additionally, as of June 30, 2018 and December 31, 2017, SLF had commitments to fund various undrawn revolving credit and delayed draw loans to its portfolio companies totaling $5.2 million and $2.1 million, respectively.

Below is a summary of SLF s portfolio, followed by a listing of the individual investments in SLF s portfolio as of June 30, 2018 and December 31, 2017 (in thousands):

| | As of | | | |
|---|---|---|---|---|
| | June 30, 2018 | | December 31, 2017 | |
| Senior secured loans[1] | 94,729 | | 29,438 | |
| Weighted average current interest rate on senior secured loans[2] | 7.5 | % | 7.1 | % |
| Number of borrowers in SLF | 28 | | 8 | |

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

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

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# MRCC SENIOR LOAN FUND I, LLC
# CONSOLIDATED SCHEDULE OF INVESTMENTS
# (unaudited)
# June 30, 2018
# (in thousands)

| Portfolio Company[(a)] | Spread Above Index[(b)] | Interest Rate[(b)] | Maturity | Principal | Fair Value |
|---|---|---|---|---|---|
| **Non-Controlled/Non-Affiliate Company Investments** | | | | | |
| **Senior Secured Loans** | | | | | |
| **Aerospace & Defense** | | | | | |
| MAG Aerospace Industries, Inc.[(c)] | L+4.75% | 6.84 % | 6/06/2025 | 3,300 | $ 3,292 |
| The KEYW Corporation | L+4.50% | 6.53 % | 5/08/2024 | 1,600 | 1,614 |
| | | | | 4,900 | 4,906 |
| **Automotive** | | | | | |
| Wheel Pros, LLC | L+4.75% | 6.75 % | 4/04/2025 | 4,000 | 3,990 |
| | | | | 4,000 | 3,990 |
| **Banking, Finance, Insurance & Real Estate** | | | | | |
| MTC Intermediate Holdco, Inc. | L+4.75% | 6.84 % | 1/30/2023 | 4,988 | 4,988 |
| Zenith Merger Sub, Inc | L+5.50% | 7.83 % | 12/13/2023 | 3,731 | 3,731 |
| | | | | 8,719 | 8,719 |
| **Beverage, Food & Tobacco** | | | | | |
| Il Fornaio (America) Corporation | L+6.50% | 8.59 % | 11/10/2022 | 4,947 | 4,944 |
| US Salt, LLC | L+4.75% | 6.84 % | 11/30/2023 | 3,491 | 3,491 |
| | | | | 8,438 | 8,435 |
| **Capital Equipment** | | | | | |
| Analogic Corp | L+6.00% | 8.08 % | 6/24/2024 | 5,000 | 4,950 |
| | | | | 5,000 | 4,950 |
| **Chemicals, Plastics & Rubber** | | | | | |
| Loparex International B.V. | L+4.25% | 6.58 % | 4/11/2025 | 500 | 503 |
| Peach State Labs, LLC | L+6.25% | 8.24 % | 6/30/2021 | 2,869 | 2,891 |
| | | | | 3,369 | 3,394 |
| **Construction & Building** | | | | | |
| Fastener Acquisition, Inc. | L+4.25% | 6.34 % | 3/18/2025 | 1,330 | 1,333 |
| | | | | 1,330 | 1,333 |
| **Consumer Goods: Durable** | | | | | |
| International Textile Group, Inc. | L+5.00% | 6.98 % | 5/1/2024 | 1,875 | 1,889 |
| | | | | 1,875 | 1,889 |
| **Consumer Goods: Non-Durable** | | | | | |
| Solaray, LLC | L+6.50% | 8.82 % | 9/11/2023 | 1,617 | 1,617 |
| Solaray, LLC (Delayed Draw)[(d)] | L+6.50% | 8.82 % | 9/11/2023 | 1,873 | 1,185 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | 3,490 | 2,802 |
| **Containers, Packaging & Glass** | | | | | |
| Port Townsend Holdings Company, Inc. | L+4.75% | 6.75 % | 4/03/2024 | 4,407 | 4,412 |
| | | | | 4,407 | 4,412 |
| **Healthcare & Pharmaceuticals** | | | | | |
| LSCS Holdings, Inc. | L+4.25% | 6.34 % | 3/17/2025 | 2,793 | 2,793 |

| Portfolio Company[(a)] | Spread Above Index[(b)] | Interest Rate[(b)] | Maturity | Principal | Fair Value |
|---|---|---|---|---|---|
| LSCS Holdings, Inc. (Delayed Draw)[(d)] | L+4.25% | 6.34 % | 3/17/2025 | 700 | 553 |
| Radiology Partners Holdings, LLC | P+4.75% | 9.75 % | 12/04/2023 | 2,092 | 2,099 |
| Radiology Partners Holdings, LLC (Delayed Draw)[(d)] | P+4.75% | 9.75 % | 12/04/2023 | 775 | |
| Solara Medical Supplies, LLC | L+6.00% | 8.31 % | 5/31/2023 | 5,714 | 5,717 |
| Solara Medical Supplies, LLC (Delayed Draw)[(d)] | L+6.00% | 8.31 % | 5/31/2023 | 1,071 | |
| Solara Medical Supplies, LLC (Revolver)[(d)] | L+6.00% | 8.31 % | 5/31/2023 | 714 | |
| | | | | 13,859 | 11,162 |
| **High Tech Industries** | | | | | |
| Corel Corporation[(c)] | L+5.00% | 7.09 % | 6/04/2024 | 2,500 | 2,512 |
| Gigamon, Inc. | L+4.50% | 6.83 % | 12/27/2024 | 2,985 | 3,011 |
| | | | | 5,485 | 5,523 |
| **Media: Diversified & Production** | | | | | |
| Research Now Group, Inc. and Survey Sampling International, LLC | L+5.50% | 7.86 % | 12/20/2024 | 6,965 | 6,861 |
| | | | | 6,965 | 6,861 |
| **Services: Business** | | | | | |
| CHA Holdings, Inc. | L+4.50% | 6.58 % | 4/10/2025 | 2,054 | 2,059 |
| CHA Holdings, Inc. (Delayed Draw)[(d)] | L+4.50% | 6.58 % | 4/10/2025 | 446 | |
| Engage2Excel, Inc. | L+6.50% | 8.63 % | 3/07/2023 | 4,364 | 4,392 |
| Engage2Excel, Inc. (Revolver)[(d)] | L+6.50% | 8.55 % | 3/07/2023 | 545 | 36 |
| GI Revelation Acquisition LLC | L+5.00% | 7.09 % | 4/16/2025 | 1,400 | 1,413 |
| Output Services Group, Inc. | L+4.25% | 6.34 % | 3/27/2024 | 4,135 | 4,176 |
| Output Services Group, Inc. (Delayed Draw)[(d)] | L+4.25% | 6.34 % | 3/27/2024 | 855 | |
| | | | | 13,799 | 12,076 |
| **Services: Consumer** | | | | | |
| EWC Ventures, LLC | L+5.50% | 7.59 % | 1/18/2023 | 3,333 | 3,342 |
| LegalZoom.com, Inc. | L+4.50% | 6.59 % | 11/21/2024 | 1,990 | 2,002 |
| | | | | 5,323 | 5,344 |
| **Telecommunications** | | | | | |
| Mavenir Systems, Inc. | L+6.00% | 8.03 % | 5/08/2025 | 4,000 | 4,010 |
| | | | | 4,000 | 4,010 |
| **Wholesale** | | | | | |
| BMC Acquisition, Inc. | L+5.25% | 7.70 % | 12/30/2024 | 4,975 | 5,012 |
| | | | | 4,975 | 5,012 |
| **TOTAL INVESTMENTS** | | | | | **$ 94,818** |

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

(b) The majority of investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate ( LIBOR or L ) or Prime Rate ( Prime or P ) which reset daily, quarterly or semiannually. The Compa has provided the spread over LIBOR or Prime and the current contractual rate of interest in effect at June 30, 2018. Certain investments are subject to a LIBOR or Prime interest rate floor.

(c) Investment position or portion thereof unsettled as of June 30, 2018.

(d) All or a portion of this commitment was unfunded as of June 30, 2018. Principal reflects the commitment outstanding.

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# MRCC SENIOR LOAN FUND I, LLC
# SCHEDULE OF INVESTMENTS
# December 31, 2017
# (in thousands)

| Portfolio Company[(a)] | Spread Above Index[(b)] | Interest Rate[(b)] | Maturity | Principal | Fair Value |
|---|---|---|---|---|---|
| **Non-Controlled/Non-Affiliate Company Investments** | | | | | |
| **Senior Secured Loans** | | | | | |
| **Banking, Finance, Insurance & Real Estate** | | | | | |
| Clearent Holdings LLC and Clearent, LLC[(c)] | P+3.75 % | 8.25 % | 1/02/2024 | 1,056 | $ 1,045 |
| Clearent Holdings LLC and Clearent, LLC[(c)] | P+3.75 % | 8.25 % | 1/02/2024 | 1,257 | 1,244 |
| Clearent Holdings LLC and Clearent, LLC[(c) (d)] | P+3.75 % | 8.25 % | 1/02/2024 | 208 | |
| | | | | 2,521 | 2,289 |
| **Beverage, Food & Tobacco** | | | | | |
| Il Fornaio (America) Corporation | L+6.50 % | 8.07 % | 11/10/2022 | 5,000 | 5,008 |
| US Salt, LLC[(c)] | L+4.75 % | 6.18 % | 11/30/2023 | 3,500 | 3,500 |
| | | | | 8,500 | 8,508 |
| **Consumer Goods: Non-Durable** | | | | | |
| Solaray, LLC | L+6.50 % | 8.02 % | 9/11/2023 | 1,625 | 1,625 |
| Solaray, LLC (Delayed Draw)[(d)] | L+6.50 % | 8.02 % | 9/11/2023 | 1,875 | |
| | | | | 3,500 | 1,625 |
| **High Tech Industries** | | | | | |
| Gigamon, Inc.[(c)] | L+4.50 % | 6.03 % | 12/27/2024 | 3,000 | 2,985 |
| | | | | 3,000 | 2,985 |
| **Media: Diversified & Production** | | | | | |
| Research Now Group, Inc. and Survey Sampling International, LLC[(c)] | L+5.50 % | 7.13 % | 12/20/2024 | 7,000 | 6,714 |
| | | | | 7,000 | 6,714 |
| **Services: Consumer** | | | | | |
| LegalZoom.com, Inc.[(c)] | L+4.50 % | 5.94 % | 11/21/2024 | 2,000 | 2,005 |
| | | | | 2,000 | 2,005 |
| **Wholesale** | | | | | |
| BMC Acquisition, Inc.[(c)] | L+5.25 % | 6.94 % | 12/28/2024 | 5,000 | 5,000 |
| | | | | 5,000 | 5,000 |
| **TOTAL INVESTMENTS** | | | | | **$ 29,126** |

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

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

2017. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

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

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Below is certain summarized financial information for SLF as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 (dollars in thousands):

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value | $ 94,818 | $ 29,126 |
| Cash | 471 | 12,504 |
| Restricted cash | 3,074 | |
| Interest receivable | 264 | 11 |
| **Total assets** | $ 98,627 | $ 41,641 |
| **Liabilities** | | |
| Revolving credit facility | $ 56,412 | $ |
| Less: Unamortized deferred financing costs | (1,244 ) | |
| Total debt, less unamortized deferred financing costs | 55,168 | |
| Payable for open trades | 5,742 | 22,304 |
| Interest payable | 223 | |
| Accounts payable and accrued expenses | 108 | 57 |
| **Total liabilities** | 61,241 | 22,361 |
| **Members capital** | 37,386 | 19,280 |
| **Total liabilities and members capital** | $ 98,627 | $ 41,641 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017[1] | 2018 | 2017[1] |
| | (unaudited) | | (unaudited) | |
| **Investment income:** | | | | |
| Interest income | $ 1,399 | $ | $ 2,179 | $ |
| **Total investment income** | 1,399 | | 2,179 | |
| **Expenses:** | | | | |
| Interest and other debt financing expenses | 605 | | 649 | |
| Organizational costs | 5 | | 11 | |
| Professional fees | 22 | | 62 | |
| **Total expenses** | 632 | | 722 | |
| **Net investment income (loss)** | 767 | | 1,457 | |
| **Net gain (loss) on investments:** | | | | |
| Net change in unrealized gain (loss) on investments | 454 | | 999 | |
| **Net gain (loss) on investments** | 454 | | 999 | |
| **Net increase (decrease) in members capital** | $ 1,221 | $ | $ 2,456 | $ |

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

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## Related Party Transactions

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

We have an Investment Advisory and Management Agreement with MC Advisors, an investment advisor registered with the SEC, to manage our day-to-day operating and investing activities. We pay MC Advisors a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. See Note 6 to our consolidated financial statements and Significant Accounting Estimates and Critical Accounting Policies *Capital Gains Incentive Fee* for additional information.
We have an Administration Agreement with MC Management to provide us with the office facilities and administrative services necessary to conduct our day-to-day operations. See Note 6 to our consolidated financial statements for additional information.
SLF has an Administration Agreement with MC Management to provide SLF with certain loan servicing and administrative functions. SLF may reimburse MC Management for its allocable share of overhead and other expenses incurred by MC Management. No such expenses have been incurred or charged to SLF through June 30, 2018.
Theodore L. Koenig, our Chief Executive Officer and Chairman of our Board is also a manager of MC Advisors and the President and Chief Executive Officer of MC Management. Aaron D. Peck, our Chief Financial Officer and Chief Investment Officer, serves as a director on our Board and is also a managing director of MC Management.
We have a license agreement with Monroe Capital LLC, under which Monroe Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name Monroe Capital for specified purposes in our business.

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

# Contractual Obligations and Off-Balance Sheet Arrangements

The following table shows our significant contractual payment obligations for repayment as of December 31, 2017 (dollars in thousands):

| | Total | Less than 1 year | 1 3 years | 3 5 years | More than 5 years |
|---|---|---|---|---|---|
| Revolving credit facility | $ 117,092 | $ | $ 117,092 | $ | $ |
| SBA guaranteed debentures payable | 109,520 | | | | 109,520 |
| Unfunded commitments[(1)] | 41,238 | 41,238 | | | |
| Total contractual obligations | $ 267,850 | $ 41,238 | $ 117,092 | $ | $ 109,520 |

(1) Unfunded commitments represent all amounts unfunded, excluding our investments in SLF, as of December 31, 2017. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but we are showing this amount in the less than one year category as this entire amount was eligible for funding to the borrowers as of December 31, 2017.

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

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

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## Commitments and Contingencies

As of June 30, 2018 and December 31, 2017, we had $38.4 million and $41.2 million, respectively, in outstanding commitments to fund investments under undrawn revolvers, capital expenditure loans and delayed draw commitments. As described in Note 3 to our consolidated financial statements included in this prospectus supplement, we had commitments up to $32.1 million and $40.5 million, respectively, to SLF, as of June 30, 2018 and December 31, 2017 that may be contributed primarily for the purpose of funding new investments approved by the SLF investment committee. Drawdowns of the commitments to SLF require explicit authorization of our representatives on SLF s board of managers. Additionally, we have entered into certain contracts with other parties that contain a variety of indemnifications. Our maximum exposure under these arrangements is unknown. However, we have not experienced claims or losses pursuant to these contracts and believe the risk of loss related to such indemnifications to be remote.

## Off-Balance Sheet Arrangements

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

# Market Trends

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

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

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

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

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

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

## Recent Developments

On August 31, 2018, the Board declared a quarterly distribution of $0.35 per share payable on September 28, 2018 to holders of record on September 14, 2018.

# Significant Accounting Estimates and Critical Accounting Policies

## Revenue Recognition

We record interest and fee income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, we do not accrue PIK interest if the portfolio company valuation indicates that such PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount and market discount or premium are capitalized, and we then amortize such amounts using the effective interest method as interest income over the life of the investment. Upon the prepayment of a loan or debt security, any unamortized premium or discount or loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts. 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. We record fees on loans based on the determination of whether the fee is considered a yield enhancement or payment for a service. If the fee is considered a yield enhancement associated with a funding of cash on a loan, the fee is generally deferred and recognized into interest income using the effective interest method if captured in the cost basis or using the straight-line method if the loan is unfunded and therefore there is no cost basis. If the fee is not considered a yield enhancement because a service was provided, and the fee is payment for that service, the fee is deemed earned and recognized as fee income in the period earned.

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

## Valuation of Portfolio Investments

As a BDC, we generally invest in illiquid securities including debt and, to a lesser extent, equity securities of middle-market companies. Under procedures established by our Board, we value investments for which market quotations are readily available and within a recent date at such market quotations. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). When doing so, we determine whether the quote obtained is sufficient in accordance with generally accepted accounting principles in the United States of America ( GAAP ) to determine the fair value of the security. Debt and equity securities that are not publicly traded or whose market prices are not readily available or whose market prices are not regularly updated are valued at fair value as determined in good faith by our Board. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

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

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

- the quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals responsible for the credit monitoring of the portfolio investment;
- preliminary valuation conclusions are then documented and discussed with the investment committee;
- our Board engages one or more independent valuation firm(s) to conduct fair value appraisals of material investments for which market quotations are not readily available. These fair value appraisals for material investments are received at least once in every calendar year for each portfolio company investment, but are generally received quarterly;
- our audit committee of the Board reviews the preliminary valuations of MC Advisors and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and
- our Board discusses these valuations and determines the fair value of each investment in the portfolio in good faith, based on the input of MC Advisors, the independent valuation firm(s) and the audit committee.

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

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

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

In addition, for certain debt investments, we may base our valuation on indicative bid and ask prices provided by an independent third-party pricing service. Bid prices reflect the highest price that we and others

may be willing to pay. Ask prices represent the lowest price that we and others may be willing to accept. We generally use the midpoint of the bid/ask range as our best estimate of fair value of such investment.

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

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

## Capital Gains Incentive Fee

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

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

During the three and six months ended June 30, 2018, we did not accrue capital gains incentive fees. During the three and six months ended June 30, 2017, we had a reduction in accrued capital gains incentive fees of zero and $0.2 million, respectively, primarily as a result of net declines in portfolio valuations during the period.

## New Accounting Pronouncements

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

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

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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. We have adopted ASU 2014-09, and the adoption did not have a material impact on our consolidated financial statements.

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

# Quantitative and Qualitative Disclosures about Market Risk

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

Assuming that the consolidated statement of financial condition as of June 30, 2018 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

| Change in Interest Rates | Increase (decrease) in interest income | Increase (decrease) in interest expense | Net increase (decrease) in net investment income |
|---|---|---|---|
| | (in thousands) | | |
| Down 25 basis points | $(1,067 ) | $(314 ) | $(753 ) |
| Up 100 basis points | 4,429 | 1,255 | 3,174 |
| Up 200 basis points | 8,995 | 2,510 | 6,485 |
| Up 300 basis points | 13,561 | 3,765 | 9,796 |

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

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

We may also have exposure to foreign currencies (currently the Great Britain pound) related to certain investments. Such investments are translated into U.S. dollars based on the spot rate at each balance sheet date, exposing us to movements in the exchange rate. In order to reduce our exposure to fluctuations in exchange rates, we generally borrow in Great Britain pounds under our revolving credit facility to finance such investments. As of June 30, 2018, we have non-U.S. dollar borrowings denominated in Great Britain pounds of £14.8 million ($19.5 million U.S. dollars) outstanding under the revolving credit facility.

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# DESCRIPTION OF THE NOTES

The Notes will be issued under a base indenture and a first supplemental indenture thereto, to be entered into between us and U.S. Bank National Association, as trustee. We refer to the indenture and the first supplemental indenture collectively as the indenture and to U.S. Bank National Association as the trustee. The Notes are governed by the indenture, as required by federal law for all bonds and notes of companies that are publicly offered. An indenture is a contract between us and the financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under Events of Default Remedies if an Event of Default Occurs below. Second, the trustee performs certain administrative duties for us with respect to the Notes.

This section includes a summary description of the material terms of the Notes and the indenture. Because this section is a summary, however, it does not describe every aspect of the Notes and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the Notes. The base indenture has been attached as an exhibit to the registration statement of which this prospectus supplement is a part and the first supplemental indenture will be attached as an exhibit to a post-effective amendment to the registration statement of which this prospectus supplement is a part, in each case, as filed with the SEC. See Available Information in this prospectus supplement for information on how to obtain a copy of the indenture.

## General

The Notes will mature on October 31, 2023. The principal payable at maturity will be 100% of the aggregate principal amount. The interest rate of the Notes is 5.75% per year and will be paid every January 31, April 30, July 31 and October 31, beginning on October 31, 2018, and the regular record dates for interest payments will be every January 15, April 15, July 15 and October 15, commencing October 15, 2018. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment. The initial interest period will be the period from and including September 12, 2018, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.

We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof. The Notes will not be subject to any sinking fund and holders of the Notes will not have the option to have the Notes repaid prior to the stated maturity date.

The indenture does not limit the amount of debt (including secured debt) that may be issued by us or our subsidiaries under the indenture or otherwise, but does contain a covenant regarding our asset coverage that would have to be satisfied at the time of our incurrence of additional indebtedness. See Covenants and Events of Default. Other than as described under Covenants below, the indenture does not restrict us from paying dividends or issuing or repurchasing our other securities. Other than restrictions described under Merger or Consolidation below, the indenture does not contain any covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us or if our credit rating declines as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect your investment in the Notes.

We have the ability to issue indenture securities with terms different from the Notes and, without the consent of the holders of the Notes, to reopen the Notes and issue additional Notes.

## Covenants

In addition to any other covenants described in this prospectus supplement and the accompanying prospectus, as well as standard covenants relating to payment of principal and interest, maintaining an office where payments may be made or securities can be surrendered for payment and related matters, the following covenants will apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from incurring additional borrowings, including through the issuance of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowings, excluding the SBA debentures in accordance with SEC exemptive relief granted October 2, 2014. See Risk Factors Risks Related to the Notes Recent legislation allows us to incur additional leverage in this prospectus supplement.

We agree that for the period of time during which Notes are outstanding, we will not declare any dividend (except a dividend payable in stock of the issuer), or declare any other distribution, upon a class of our capital stock, or purchase any such capital stock, unless, in every such case, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, we have an asset coverage (as defined in the 1940 Act, except to the extent modified by this covenant) of at least the threshold specified in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time or any successor provisions thereto of the 1940 Act, as such obligation may be amended or superseded, after deducting the amount of such dividend, distribution or purchase price, as the case may be, and in each case giving effect to (i) any exemptive relief granted to us by the SEC, and (ii) any SEC no-action relief granted by the SEC to another BDC (or to us if we determine to seek such similar no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by such provisions of Section 61(a) of the 1940 Act as may be applicable to us from time to time, as such obligation may be amended or superseded, in order to maintain such BDC s status as a regulated investment company under Subchapter M of the Code. For the purposes of determining asset coverage as used above, any and all of our indebtedness, including any outstanding borrowings under the ING Credit Facility and any successor or additional credit facility, shall be deemed a senior security of us.

If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable U.S. GAAP.

# Optional Redemption

The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after October 31, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount of the Notes to be redeemed plus accrued and unpaid interest payments otherwise payable thereon for the then-current quarterly interest period accrued to, but excluding, the date fixed for redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act, to the extent applicable.

If we redeem only some of the Notes, the trustee or, with respect to global securities, DTC, will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture and the 1940 Act, to the extent applicable, and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

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# Global Securities

Each Note will be issued in book-entry form and represented by a global security that we deposit with and register in the name of DTC or its nominee. A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all the Notes represented by a global security, and investors will be permitted to own only beneficial interests in a global security. For more information about these arrangements, see Book-Entry Procedures below.

# Termination of a Global Security

If a global security is terminated for any reason, interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders.

# Conversion and Exchange

The Notes are not convertible into or exchangeable for other securities.

# Payment

We will pay interest to the person listed in the trustee s records as the owner of the Notes at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the Note on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling the Notes must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the Notes to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

# Payments on Global Securities

We will make payments on the Notes so long as they are represented by a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder s right to those payments will be governed by the rules and practices of the depositary and its participants, as described under Book-Entry Procedures below.

# Payments on Certificated Securities

In the event the Notes become represented by certificated securities, we will make payments on the Notes as follows. We will pay interest that is due on an interest payment date to the holder of the Notes as shown on the trustee s records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in St. Paul, Minnesota and/or at other offices that may be specified in the indenture or a notice to holders against surrender of the Note.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in the United States, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

## Payment When Offices Are Closed

If any payment is due on the Notes on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date. Such payment will not result in a default under the Notes or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

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**Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on the Notes.**

## Events of Default

You will have rights if an Event of Default, as defined below, occurs with respect to the Notes and the Event of Default is not cured, as described later in this subsection.

The term Event of Default with respect to the Notes means any of the following:

We do not pay the principal of any Note when due and payable at maturity;
We do not pay interest on any Note when due and payable, and such default is not cured within 30 days of its due date;
We remain in breach of any other covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25.0% of the principal amount of the outstanding Notes);
We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and, in the case of certain orders or decrees entered against us under any bankruptcy law, such order or decree remain undischarged or unstayed for a period of 60 days; or
On the last business day of each of twenty-four consecutive calendar months, the Notes have an asset coverage (as such term is defined in the 1940 Act) of less than 100.0%, giving effect to any exemptive relief granted to us by the SEC.
An Event of Default for the Notes may, but does not necessarily, constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of the Notes of any default, except in the payment of principal or interest, if it in good faith considers the withholding of notice to be in the best interests of the holders.

### Remedies if an Event of Default Occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of not less than 25.0% in principal amount of the Notes may declare the entire principal amount of all the Notes to be due and immediately payable, but this does not entitle any holder of Notes to any redemption payout or redemption premium. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the Notes if (1) we have deposited with the trustee all amounts due and owing with respect to the Notes (other than principal or any payment that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other Events of Default have been cured or waived.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection reasonably satisfactory to it from expenses and liability (called an indemnity ). If indemnity reasonably satisfactory to the trustee is provided, the holders of a majority in principal amount of the Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:

- You must give the trustee written notice that an Event of Default has occurred and remains uncured;
- The holders of at least 25.0% in principal amount of all the Notes must make a written request that the trustee take action because of the default and must offer the trustee indemnity, security, or both reasonably satisfactory to it against the cost and other liabilities of taking that action;
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity and/or security; and

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The holders of a majority in principal amount of the Notes must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your Notes on or after the due date.

**Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.**

Each year, we will furnish to the trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the Notes, or else specifying any default.

### Waiver of Default

The holders of a majority in principal amount of the Notes may waive any past defaults other than a default:

- in the payment of principal (or premium, if any) or interest; or
- in respect of a covenant that cannot be modified or amended without the consent of each holder of the Notes.

## Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

- where we merge out of existence or convey or transfer our assets substantially as an entirety, the resulting entity must agree to be legally responsible for our obligations under the Notes;
- the merger or sale of assets must not cause a default on the Notes and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under Events of Default above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us notice of default or our default having to exist for a specified period of time were disregarded; and
- we must deliver certain certificates and documents to the trustee.

## Modification or Waiver

There are three types of changes we can make to the indenture and the Notes issued thereunder.

### Changes Requiring Your Approval

First, there are changes that we cannot make to your Notes without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of (or premium, if any, on) or any installment of principal of or interest on the Notes;
- reduce any amounts due on the Notes or reduce the rate of interest on the Notes;
- reduce the amount of principal payable upon acceleration of the maturity of a Note following a default;
- adversely affect any right of repayment at your option;
- change the place or currency of payment on a Note;

impair your right to sue for payment;

reduce the percentage of holders of Notes whose consent is needed to modify or amend the indenture; and reduce the percentage of holders of Notes whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults or reduce the percentage of holders of Notes required to satisfy quorum or voting requirements at a meeting of holders of the Notes.

### Changes Not Requiring Approval

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

### Changes Requiring Majority Approval

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

if the change affects only the Notes, it must be approved by the holders of a majority in principal amount of the Notes; and

if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under Changes Requiring Your Approval.

### Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to the Notes:

The Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we or any affiliate of ours own any Notes. The Notes will also not be eligible to vote if they have been fully defeased as described later under Defeasance Full Defeasance below.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of the Notes that are entitled to vote or take other action under the indenture. However, the record date may not be earlier than 30 days before the date of the first solicitation of holders to vote on or take such action and not later than the date such solicitation is completed. If we set a record date for a vote or other action to be taken by holders of the Notes, that vote or action may be taken only by persons who are holders of the Notes on the record date and must be taken within eleven months following the record date.

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

## Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect with respect to the Notes when:

(1) Either

(a) all the Notes that have been authenticated have been delivered to the trustee for cancellation; or

(b) all the Notes that have not been delivered to the trustee for cancellation:

(i) have become due and payable, or

(ii) will become due and payable at their stated maturity within one year, or

(iii) are to be called for redemption within one year,

and we, in the case of (i), (ii) or (iii) above, have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders of the Notes, in amounts

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as will be sufficient, to pay and discharge the entire indebtedness (including all principal, premium, if any, and interest) on such Notes delivered to the trustee for cancellation (in the case of Notes that have become due and payable on or prior to the date of such deposit) or to the stated maturity or redemption date, as the case may be;

(2) we have paid or caused to be paid all other sums payable by us under the indenture with respect to the Notes; and

(3) we have delivered to the trustee an officers certificate and legal opinion, each stating that all conditions precedent provided for in the indenture relating to the satisfaction and discharge of the indenture and the Notes have been complied with.

# Defeasance

The following provisions will be applicable to the Notes. Defeasance means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions noted below, we will be deemed to have been discharged from our obligations under the Notes. In the event of a covenant defeasance, upon depositing such funds and satisfying similar conditions discussed below we would be released from certain covenants under the indenture relating to the Notes.

## Covenant Defeasance

Under current U.S. federal income tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the Notes were issued. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your Notes. In order to achieve covenant defeasance, the following must occur:

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

We must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit and just repaid the Notes ourselves at maturity;

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

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

No default or Event of Default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the period ending on the 91st day after the date of such deposit.

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

## Full Defeasance

If there is a change in U.S. federal income tax law, as described below, we can legally release ourselves from all payment and other obligations on the Notes (called full defeasance ) if we put in place the following other arrangements for you to be repaid:

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

We must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an Internal Revenue Service ( IRS ) ruling that allows us to make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit;

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

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

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

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

# Form, Exchange and Transfer of Certificated Registered Securities

If registered Notes cease to be issued in book-entry form, they will be issued:

only in fully registered certificated form;

without interest coupons; and

unless we indicate otherwise, in denominations of $25 and amounts that are multiples of $25.

Holders may exchange their certificated securities for Notes of smaller denominations or combined into fewer Notes of larger denominations, as long as the total principal amount is not changed and as long as the denomination is equal to or greater than $25.

Holders may exchange or transfer their certificated securities at the office of the trustee. We have appointed the trustee to act as our agent for registering Notes in the names of holders transferring Notes. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder s proof of legal ownership.

We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the Notes, we may block the transfer or exchange of those Notes selected for redemption during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated Notes selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Note that will be partially redeemed.

If registered Notes are issued in book-entry form, only the depositary will be entitled to transfer and exchange the Notes as described in this subsection, since it will be the sole holder of the Notes.

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# Resignation of Trustee

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

# Governing Law

The indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

# Indenture Provisions  Ranking

The Notes will be our direct unsecured obligations and will rank:

- *pari passu* with our existing and future unsecured, unsubordinated indebtedness;
- senior to any of our future indebtedness that expressly provides it is subordinated to the Notes; and
- effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the ING Credit Facility; and
- structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, including MRCC SBIC and any other future SBIC subsidiary of the Company.

# The Trustee under the Indenture

U.S. Bank National Association serves as the trustee, paying agent, and security registrar under the indenture. Separately, our securities are held by U.S. Bank National Association pursuant to a custody agreement.

# Book-Entry Procedures

The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.

The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each issuance of the Notes, in the aggregate principal amount thereof, and will be deposited with DTC. Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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

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certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ( DTCC ).

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

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

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

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

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

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

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

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

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# CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain U.S. federal income tax consequences applicable to an investment in the Notes. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. The summary is based upon the Code, U.S. Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect, or to different interpretations. We cannot assure you that the IRS will not challenge one or more of the tax consequences described in this summary, and we have not obtained, nor do we intend to obtain, any ruling from the IRS or opinion of counsel with respect to the tax consequences of an investment in the Notes. Investors should consult their own tax advisors with respect to tax considerations that pertain to their investment in the Notes.

This summary discusses only Notes held as capital assets within the meaning of the Code (generally, property held for investment purposes) and does not purport to address persons in special tax situations, such as banks and other financial institutions, insurance companies, controlled foreign corporations, passive foreign investment companies, real estate investment trusts and regulated investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a position in a straddle, hedge, constructive sale transaction, conversion transaction, wash sale or other integra transaction for U.S. federal income tax purposes, entities that are tax-exempt for U.S. federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities, or U.S. holders (as defined below) whose functional currency (as defined in the Code) is not the U.S. dollar. It does not address beneficial owners of the Notes other than original purchasers of the Notes who acquire the Notes in this offering for cash at a price equal to their issue price (*i.e.*, the first price at which a substantial amount of the Notes is sold for money to investors (other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placements agents or wholesalers)). It also does not address the U.S. federal income tax consequences to beneficial owners of the Notes subject to the special tax accounting rules under Section 451(b) of the Code. In addition, this summary only addresses U.S. federal income tax consequences, and, except as otherwise noted below, does not address other U.S. federal tax consequences, including, for example, estate or gift tax consequences. This summary also does not address any U.S. state or local or non-U.S. tax consequences. Investors considering purchasing the Notes should consult their own tax advisors concerning the application of the U.S. federal income tax laws to their individual circumstances, as well as any consequences to such investors relating to purchasing, owning and disposing of the Notes under the laws of any state, local, foreign or other taxing jurisdiction.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the U.S. federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding Notes, and persons holding interests in such partnerships, should each consult their own tax advisors as to the consequences of investing in the Notes in their individual circumstances.

## Taxation of U.S. Holders

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States; a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- a trust (i) the administration of which is subject to the primary supervision of a U.S. court and that has one or more United States persons (within the meaning of the Code) that have the authority to control all substantial decisions of the trust or (ii) that has made a valid election under applicable U.S. Treasury regulations to be treated as a United States person (within the meaning of the Code); or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

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## Payments of Interest

Payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder s regular method of tax accounting.

## Original Issue Discount

If the issue price of the Notes is less than their stated principal amount by more than a specified de minimis amount, the Notes will be considered as having been issued for U.S. federal income tax purposes with original issue discount, or OID, in an amount equal to each excess. If the Notes are issued with OID, a U.S. holder generally will be required to include the OID in gross income as ordinary interest income as the OID accrues, in advance of the receipt of cash attributable to that income and regardless of such U.S. holder s regular method of tax accounting. Such OID will be included in gross income for each day during each taxable year in which a note is held by a U.S. holder using a constant yield to maturity method that reflects the compounding of interest. This means that a U.S. holder will be required to include increasingly greater amounts of OID over time.

## Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (excluding amounts representing accrued and unpaid interest, which are treated as ordinary interest income to the extent not previously included in income) and the U.S. holder s adjusted tax basis in the Note. A U.S. holder s adjusted tax basis in a Note generally will equal the U.S. holder s initial investment in the Note. Capital gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code.

## Additional Tax on Net Investment Income

An additional tax of 3.8% is imposed on certain net investment income (or undistributed net investment income, in the case of certain U.S. holders that are estates and trusts) received by certain U.S. holders with adjusted gross income above certain threshold amounts. Net investment income generally includes interest payments on, and gain recognized from the sale, exchange, redemption, retirement or other taxable disposition of, the Notes, less certain deductions. U.S. holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Notes.

## Backup Withholding and Information Reporting

In general, a U.S. holder will be subject to U.S. federal backup withholding tax at the applicable rate with respect to payments on the Notes and the proceeds of a sale, exchange, redemption, retirement or other taxable disposition of the Notes, unless the U.S. holder is an exempt recipient and appropriately establishes that exemption, or provides its taxpayer identification number to the paying agent and certifies, under penalty of perjury, that it is not subject to backup withholding on an IRS Form W-9 and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder may be allowed as a credit against such U.S. holder s U.S. federal income tax liability and may entitle such U.S. holder to a refund, provided the required information is furnished to the IRS in a timely manner. In addition, payments on the Notes made to, and the proceeds of a sale, exchange, redemption, retirement or other taxable disposition by, a U.S. holder generally will be subject to information reporting requirements, unless such U.S. holder is an exempt recipient and appropriately establishes that exemption.

## Taxation of Non-U.S. Holders

For purposes of this discussion, the term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes.

### Interest on the Notes

Subject to the discussions of backup withholding and the Foreign Account Tax Compliance Act, or FATCA, discussed further below, payments to a non-U.S. holder of interest on the Notes generally will not be subject to U.S. federal income tax and will be exempt from withholding of U.S. federal income tax under the portfolio interest exemption if such non-U.S. holder properly certifies as to such non-U.S. holder s foreign status, as described below, and:

such non-U.S. holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

such non-U.S. holder is not a controlled foreign corporation that is related to us (actually or constructively);

such non-U.S. holder is not a bank whose receipt of interest on the Notes is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such non-U.S. holder s trade or business; and

interest on the Notes is not effectively connected with such non-U.S. holder s conduct of a U.S. trade or business (or, in the case of an applicable income tax treaty, such interest is not attributable to a permanent establishment maintained by such non-U.S. holder in the United States).

The portfolio interest exemption generally applies only if a non-U.S. holder also appropriately certifies as to such non-U.S. holder s foreign status. A non-U.S. holder can generally meet the certification requirement by providing a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) to the applicable withholding agent. If a non-U.S. holder holds the Notes through a financial institution or other agent acting on such non-U.S. holder s behalf, such non-U.S. holder may be required to provide appropriate certifications to the agent. Such non-U.S. holder s agent will then generally be required to provide appropriate certifications to the applicable withholding agent, either directly or through other intermediaries.

If a non-U.S. holder cannot satisfy the requirements described above, payments of interest made to such non-U.S. holder will be subject to U.S. federal withholding tax at a 30% rate, unless (i) such non-U.S. holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or applicable successor form) claiming an exemption from (or a reduction of) withholding under the benefits of an income tax treaty, or (ii) the payments of such interest are effectively connected with such non-U.S. holder s conduct of a trade or business in the United States and such non-U.S. holder meets the certification requirements described below under Income or Gain Effectively Connected with a U.S. Trade or Business.

## Disposition of the Notes

Subject to the discussions of backup withholding and FATCA withholding below, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement, or other taxable disposition of a Note unless:

the gain is effectively connected with the conduct by such non-U.S. holder of a U.S. trade or business (and, if required by an applicable income tax treaty, such non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable); or

such non-U.S. holder is a non-resident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met.

If a non-U.S. holder s gain is described in the first bullet point above, such non-U.S. holder generally will be subject to U.S. federal income tax in the manner described under Income or Gain Effectively Connected with a U.S. Trade or Business below. A non-U.S. holder described in the second bullet point above will be subject to a flat 30% (or lower applicable income tax treaty rate) U.S. federal income tax on the gain derived from the sale or other disposition, which may be offset by certain U.S. source capital losses.

To the extent that any portion of the amount realized on a sale, redemption, exchange, retirement or other taxable disposition of a Note is attributable to accrued but unpaid interest on the Note, this amount generally will be taxed in the same manner as described above in Interest on the Notes.

**Income or Gain Effectively Connected with a U.S. Trade or Business**

If any interest on the Notes or gain from the sale, redemption, exchange, retirement, or other taxable disposition of the Notes is effectively connected with a non-U.S. holder s conduct of a U.S. trade or business

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(and, if required by an applicable income tax treaty, such non-U.S. holder maintains a permanent establishment in the United States to which such interest or gain is attributable), then the interest income or gain will be subject to U.S. federal income tax at regular income tax rates generally in the same manner as if such non-U.S. holder were a U.S. holder (but without regard to the additional tax on net investment income described above). Effectively connected interest income will not be subject to U.S. federal withholding tax if a non-U.S. holder satisfies certain certification requirements by providing to the applicable withholding agent a properly executed IRS Form W-8ECI (or successor form). In addition, if a non-U.S. holder is a corporation, that portion of such non-U.S. holder s earnings and profits that are effectively connected with such non-U.S. holder s conduct of a U.S. trade or business may also be subject to a branch profits tax at a 30% rate, unless an applicable income tax treaty provides for a lower rate. For this purpose, interest received on a Note and gain recognized on the disposition of a Note will be included in earnings and profits if the interest or gain is effectively connected with the conduct by such non-U.S. holder of a U.S. trade or business.

## Backup Withholding and Information Reporting

Under current U.S. Treasury regulations, the amount of interest paid to a non-U.S. holder and the amount of tax withheld, if any, from those payments must be reported annually to the IRS and each non-U.S. holder. These reporting requirements apply regardless of whether U.S. withholding tax on such payments was reduced or eliminated by any applicable tax treaty or otherwise. Copies of the information returns reporting those payments and the amounts withheld may also be made available to the tax authorities in the country where a non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Backup withholding generally will not apply to payments of interest to a non-U.S. holder on a Note if the certification described above in Interest on the Notes is duly provided or such non-U.S. holder otherwise establishes an exemption.

Additionally, the gross proceeds from a non-U.S. holder s disposition of Notes may be subject under certain circumstances to information reporting and backup withholding unless the non-U.S. holder provides an IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying that the non-U.S. holder is not a United States person or otherwise qualifies for an exemption.

Non-U.S. holders should consult their own tax advisors regarding application of the backup withholding rules to their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be credited against a non-U.S. holder s U.S. federal income tax liability (which may result in such non-U.S. holder being entitled to a refund of U.S. federal income tax), provided that the required information is timely provided to the IRS.

## Estate Tax

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) generally will not be subject to the U.S. federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual s interest in the Notes is effectively connected with the individual s conduct of a United States trade or business.

Legislation commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, consisting of Sections 1471 through 1474 of the Code and the Treasury Regulations thereunder, generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions ( FFIs ) unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement ( IGA ) with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest (including interest on a Note) and dividends and, after December 31, 2018, the gross proceeds from the sale of any property that could produce U.S. source interest (such as a Note) or dividends. The information required to be reported includes the identity and taxpayer identification number of each account

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holder that is a U.S. person and transaction activity within the holder s account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not FFIs unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a beneficial owner and the status of the intermediary through which it holds the Notes, a beneficial owner could be subject to this 30% withholding tax with respect to interest paid on the Notes and proceeds from the sale of the Notes. Under certain circumstances, a beneficial owner might be eligible for a refund or credit of such taxes.

Holders and beneficial owners should consult their own tax advisors regarding FATCA and whether it may be relevant to their acquisition, ownership and disposition of the Notes.

***You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.***

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# UNDERWRITING

Ladenburg Thalmann & Co. Inc. is acting as the representative of the underwriters for this offering. Subject to the terms and conditions set forth in an underwriting agreement dated September 5, 2018 among us, MC Advisors, MC Management and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the aggregate principal amount of Notes indicated in the table below.

| Underwriter | Principal Amount of Notes |
|---|---|
| Ladenburg Thalmann & Co. Inc. | $ 18,050,000 |
| BB&T Capital Markets, a division of BB&T Securities, LLC | 15,200,000 |
| Janney Montgomery Scott LLC | 10,200,000 |
| B. Riley FBR, Inc. | 4,800,000 |
| Oppenheimer & Co. Inc. | 3,260,000 |
| William Blair & Company, L.L.C. | 4,800,000 |
| National Securities Corporation | 1,845,000 |
| Wedbush Securities Inc. | 1,845,000 |
| Total | $ 60,000,000 |

Ladenburg Thalmann & Co. Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, and Janney Montgomery Scott LLC are acting as book-running managers of this offering.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers certificates and legal opinions. The underwriting agreement provides that the underwriters will purchase all of the Notes (other than those covered by the over-allotment option described below) if they purchase any of the Notes. If an underwriter defaults, the underwriting agreement provides that, under the circumstances, the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that they currently intend to make a market in the Notes. However, the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

The underwriters are offering the Notes, subject to their acceptance of the Notes from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The underwriters propose to initially offer some of the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement. If all of the Notes are not sold at the public offering price, the representative may change the public offering price and other selling terms. Investors must pay for any Notes purchased in this offering on or before September 12, 2018. The representative has advised us that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

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The following table shows the sales load to be paid to the underwriters in connection with this offering assuming (1) no exercise of and (2) exercise in full of the underwriters over-allotment option.

| | Per Note | Total Without Over-allotment | With Full Over-allotment |
|---|---|---|---|
| Public offering price | 100 % | $ 60,000,000 | $ 69,000,000 |
| Sales Load | 3.125 % | $ 1,875,000 | $ 2,156,250 |
| Proceeds to us (before expenses) | 96.875 % | $ 58,125,000 | $ 66,843,750 |

We estimate expenses payable by us in connection with this offering will be approximately $0.4 million. As part of our payment of our offering expenses, we have agreed to pay the underwriters for the fees and disbursements of counsel to the underwriters in connection with the review by FINRA of the terms of the sale of the Notes.

# Listing

We intend to list the Notes on The Nasdaq Global Select Market. We expect trading in the Notes on The Nasdaq Global Select Market to begin within 30 days after the original issue date under the trading symbol MRCCL. We offer no assurances that an active trading market for the Notes will develop and continue after the offering.

# Over-Allotment Option

We have granted to the underwriters an option to purchase from us up to an additional $9,000,000 aggregate principal amount of the Notes within 30 days of the date of this prospectus supplement at the public offering price set forth on the cover of this prospectus supplement less the sales load. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. If the underwriters exercise this overallotment option, each will be obligated, subject to the specified conditions, to purchase a number of additional Notes proportionate to that underwriter s initial principal amount reflected in the table above.

# No Sales of Similar Securities

Subject to certain exceptions, we have agreed not to, directly or indirectly, offer, pledge, sell, contract to sell, grant any option for the sale of, make any short sale or otherwise transfer or dispose of any debt securities issued or guaranteed by us or any securities convertible into or exercisable or exchangeable for debt securities issued or guaranteed by us, enter into any swap or other derivatives transaction that transfers any of the economic benefits or risks of ownership of any debt securities issued or guaranteed by us or file any registration statement under the Securities Act with respect to any of the foregoing for a period of 45 days after the date of this prospectus supplement without first obtaining the written consent of Ladenburg Thalmann & Co. Inc., other than certain private sales of debt securities to a limited number of institutional investors. This consent may be given at any time without public notice.

# Stabilization

The underwriters have advised us that, pursuant to Regulation M under the Exchange Act, certain persons participating in the offering may engage in transactions including over-allotment, covering transactions and stabilizing transactions, which may have the effect of stabilizing or maintaining the market price of the Notes at a level above that which might otherwise prevail in the open market. Over-allotment involves syndicate sales of securities in excess of the aggregate principal amount of securities to be purchased by the underwriters in the offering, which creates a short position for the underwriters. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions.

A stabilizing bid is a bid for the purchase of Notes on behalf of the underwriters for the purpose of fixing or maintaining the price of the Notes. A syndicate covering transaction is the bid for or the purchase of Notes on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the Notes originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member. The underwriters may conduct these transactions on The Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Neither we, nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

## Electronic Distribution

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a limited principal amount of the Notes for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, information on the underwriters web sites and any information contained in any other web site maintained by any of the underwriters or selling group members is not part of this prospectus supplement, the accompanying prospectus or the registration statement of which this prospectus supplement is a part, has not been approved and/or endorsed by us or the underwriters and should not be relied on by investors.

## Other Relationships

Certain of the underwriters and their affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to us, our portfolio companies or our affiliates for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with us, on behalf of us, any of our portfolio companies or our affiliates. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to us, our portfolio companies or our affiliates.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to us, any of our portfolio companies or our affiliates.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of their business and not in connection with the offering of the Notes. In addition, after the offering period for the sale of the Notes, the underwriters or their affiliates may develop analyses or opinions related to us or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding us to holders of the Notes or any other persons.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that may have a lending relationship with us may routinely hedge their credit exposure to us consistent with their customary risk

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management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered by this prospectus supplement and the accompanying prospectus. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business addresses of the underwriters are: Ladenburg Thalmann & Co. Inc., 277 Park Avenue, 26th Floor, New York, NY 10172; BB&T Capital Markets, 901 East Byrd Street, Suite 300, Richmond, VA 23219; Janney Montgomery Scott LLC, 1717 Arch Street, Philadelphia, PA 19103; B. Riley FBR, Inc., 299 Park Avenue, 7th Floor, New York, NY 10171; Oppenheimer & Co. Inc., 85 Broad St., 23rd Floor, New York, NY 10004; William Blair & Company, L.L.C., 150 North Riverside Plaza, Chicago, IL 60606; National Securities Corporation, 200 Vesey Street, 25th Floor, New York, NY 10281; and Wedbush Securities Inc., 1000 Wilshire Boulevard, Los Angeles, CA 90017.

## Alternative Settlement Cycle

We expect that delivery of the Notes will be made against payment therefor on or about September 12, 2018, which will be the fifth business day following the trade date for the issuance of the Notes (such settlement being herein referred to as T+5 ). Under Rule 15c6-1 promulgated under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the date of delivery hereunder will be required, by virtue of the fact that the Notes initially will settle in T+5 business days, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement.

## Other Jurisdictions

The Notes offered by this prospectus supplement and the accompanying prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such Notes be distributed or published, in any jurisdiction except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement and the accompanying prospectus come are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

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# LEGAL MATTERS

Certain legal matters regarding the Notes offered by this prospectus supplement will be passed upon for us by Nelson Mullins Riley & Scarborough LLP, Washington, D.C. Nelson Mullins Riley & Scarborough LLP also represents MC Advisors. Certain legal matters in connection with the offering will be passed upon for the underwriters by Dechert LLP, Boston, MA.

# INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

# AVAILABLE INFORMATION

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

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

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# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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# MONROE CAPITAL CORPORATION

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

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| Investments, at fair value: | | |
| Non-controlled/non-affiliate company investments | $425,220 | $425,747 |
| Non-controlled affiliate company investments | 54,322 | 58,751 |
| Controlled affiliate company investments | 18,693 | 9,640 |
| Total investments, at fair value (amortized cost of: $522,734 and $507,580, respectively) | 498,235 | 494,138 |
| Cash | 2,779 | 4,332 |
| Restricted cash | 4,252 | 2,867 |
| Interest receivable | 7,239 | 5,335 |
| Other assets | 1,098 | 760 |
| **Total assets** | 513,603 | 507,432 |
| **LIABILITIES** | | |
| Debt: | | |
| Revolving credit facility | 125,496 | 117,092 |
| SBA debentures payable | 115,000 | 109,520 |
| Total debt | 240,496 | 226,612 |
| Less: Unamortized deferred financing costs | (4,462 ) | (4,670 ) |
| Total debt, less unamortized deferred financing costs | 236,034 | 221,942 |
| Interest payable | 1,657 | 1,535 |
| Management fees payable | 2,202 | 2,064 |
| Incentive fees payable | 990 | 1,157 |
| Accounts payable and accrued expenses | 2,012 | 2,035 |
| **Total liabilities** | 242,895 | 228,733 |
| **Net assets** | $270,708 | $278,699 |
| **Commitments and contingencies (See Note 10)** | | |
| **ANALYSIS OF NET ASSETS** | | |
| Common stock, $0.001 par value, 100,000 shares authorized, 20,279 and 20,240 shares issued and outstanding, respectively | $20 | $20 |
| Capital in excess of par value | 286,651 | 286,141 |
| Undistributed net investment income (accumulated distributions in excess of net investment income) | 8,907 | 6,707 |
| | (369 ) | (372 ) |

| | | |
|---|---|---|
| Accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions | | |
| Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings | (24,501 ) | (13,797 ) |
| **Total net assets** | $ 270,708 | $ 278,699 |
| **Net asset value per share** | $ 13.35 | $ 13.77 |

See Notes to Consolidated Financial Statements.

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# MONROE CAPITAL CORPORATION

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Investment income:** | | | | |
| Interest income: | | | | |
| Non-controlled/non-affiliate company investments | $11,788 | $10,053 | $23,751 | $20,108 |
| Non-controlled affiliate company investments | 1,751 | 1,111 | 3,579 | 2,307 |
| Controlled affiliate company investments | | 217 | | 394 |
| Total interest income | 13,539 | 11,381 | 27,330 | 22,809 |
| Dividend income: | | | | |
| Non-controlled/non-affiliate company investments | 265 | 250 | 525 | 500 |
| Controlled affiliate company investments | 350 | | 525 | |
| Total dividend income | 615 | 250 | 1,050 | 500 |
| Fee income: | | | | |
| Non-controlled/non-affiliate company investments | 583 | 637 | 1,307 | 965 |
| Non-controlled affiliate company investments | 83 | | 83 | |
| Total fee income | 666 | 637 | 1,390 | 965 |
| **Total investment income** | 14,820 | 12,268 | 29,770 | 24,274 |
| **Operating expenses:** | | | | |
| Interest and other debt financing expenses | 2,836 | 2,184 | 5,542 | 4,194 |
| Base management fees | 2,202 | 1,903 | 4,365 | 3,708 |
| Incentive fees | 990 | 1,460 | 1,751 | 2,750 |
| Professional fees | 302 | 286 | 609 | 577 |
| Administrative service fees | 322 | 301 | 646 | 631 |
| General and administrative expenses | 225 | 259 | 401 | 468 |
| Excise taxes | | | 11 | |
| Directors fees | 37 | 37 | 74 | 74 |
| Expenses before incentive fee waiver | 6,914 | 6,430 | 13,399 | 12,402 |
| Incentive fee waiver | | (250) | | (250) |
| **Total expenses, net of incentive fee waiver** | 6,914 | 6,180 | 13,399 | 12,152 |
| **Net investment income** | 7,906 | 6,088 | 16,371 | 12,122 |
| **Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings:** | | | | |
| Net realized gain (loss): | | | | |
| Non-controlled/non-affiliate company investments | | 2,161 | | 2,328 |
| Secured borrowings | | 66 | | 66 |

| | | | | |
|---|---|---|---|---|
| Foreign currency transactions | (9 ) | | 3 | |
| Net realized gain (loss) | (9 ) | 2,227 | 3 | 2,394 |
| Net change in unrealized gain (loss): | | | | |
| Non-controlled/non-affiliate company investments | (515 ) | 497 | (680 ) | 689 |
| Non-controlled affiliate company investments | (4,157 ) | (7,192 ) | (11,080) | (9,356 ) |
| Controlled affiliate company investments | 260 | (575 ) | 703 | (2,234 ) |
| Secured borrowings | | (5 ) | | (6 ) |
| Foreign currency borrowings | 795 | (16 ) | 353 | (16 ) |
| Net change in unrealized gain (loss) | (3,617 ) | (7,291 ) | (10,704) | (10,923) |
| **Net gain (loss) on investments, secured borrowings, foreign currency transactions and foreign currency borrowings** | (3,626 ) | (5,064 ) | (10,701) | (8,529 ) |
| **Net increase (decrease) in net assets resulting from operations** | $4,280 | $1,024 | $5,670 | $3,593 |
| **Per common share data:** | | | | |
| Net investment income per share basic and diluted | $0.39 | $0.35 | $0.81 | $0.71 |
| Net increase (decrease) in net assets resulting from operations per share basic and diluted | $0.21 | $0.06 | $0.28 | $0.21 |
| Weighted average common shares outstanding basic and diluted | 20,244 | 17,369 | 20,242 | 16,984 |

See Notes to Consolidated Financial Statements.

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

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Par value | Capital in excess of par value | Undistributed net investment income (accumulated distributions in excess of net investment income) | Accumulated net realized gain (loss) on investments, secured borrowings and foreign currency transactions | Accumulated net unrealized gain (loss) on investments, secured borrowings and foreign currency borrowings | Total net assets |
| **Balances at December 31, 2016** | 16,582 | $17 | $233,526 | $7,037 | $587 | $(317) | $240,850 |
| Net increase (decrease) in net assets resulting from operations | | | | 12,122 | 2,394 | (10,923) | 3,593 |
| Issuance of common stock, net of offering and underwriting costs | 3,624 | 3 | 52,218 | | | | 52,221 |
| Distributions to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 34 | | 525 | (525) | | | |
| Distributions from net investment income | | | | (12,356) | | | (12,356) |
| **Balances at June 30, 2017** | 20,240 | $20 | $286,269 | $6,278 | $2,981 | $(11,240) | $284,308 |
| **Balances at December 31, 2017** | 20,240 | $20 | $286,141 | $6,707 | $(372) | $(13,797) | $278,699 |
| Net increase (decrease) in net assets resulting from operations | | | | 16,371 | 3 | (10,704) | 5,670 |
| Issuance of common stock, net of offering and underwriting costs | 17 | | 209 | | | | 209 |
| Distributions to stockholders: | | | | | | | |
| Stock issued in connection with dividend reinvestment plan | 22 | | 301 | (301) | | | |
| Distributions from net investment income | | | | (13,870) | | | (13,870) |
| **Balances at June 30, 2018** | 20,279 | $20 | $286,651 | $8,907 | $(369) | $(24,501) | $270,708 |

See Notes to Consolidated Financial Statements.

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

| | Six months ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| **Cash flows from operating activities:** | | |
| Net increase (decrease) in net assets resulting from operations | $5,670 | $3,593 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Net change in unrealized (gain) loss on investments | 11,057 | 10,901 |
| Net change in unrealized (gain) loss on secured borrowings | | 6 |
| Net change in unrealized (gain) loss on foreign currency borrowings | (353) | 16 |
| Net realized (gain) loss on investments | | (2,328) |
| Net realized (gain) loss on secured borrowings | | (66) |
| Net realized (gain) on foreign currency transactions | (3) | |
| Payment-in-kind interest income | (656) | (1,018) |
| Payment-in-kind dividend income | (522) | |
| Net accretion of discounts and amortization of premiums | (1,556) | (746) |
| Proceeds from principal payments and sales of investments | 60,368 | 75,460 |
| Purchases of investments | (72,788) | (114,898) |
| Amortization of deferred financing costs | 596 | 486 |
| Changes in operating assets and liabilities: | | |
| Interest receivable | (1,904) | (919) |
| Other assets | (338) | (2) |
| Interest payable | 122 | 135 |
| Management fees payable | 138 | 154 |
| Incentive fees payable | (167) | (12) |
| Accounts payable and accrued expenses | (23) | (203) |
| **Net cash provided by (used in) operating activities** | (359) | (29,441) |
| **Cash flows from financing activities:** | | |
| Borrowings on revolving credit facility | 67,107 | 68,329 |
| Repayments of revolving credit facility | (58,350) | (103,500) |
| SBA debentures borrowings | 5,480 | 34,100 |
| Payments of deferred financing costs | (388) | (1,182) |
| Repayments on secured borrowings | | (1,254) |
| Proceeds from shares sold, net of offering and underwriting costs | 209 | 52,221 |
| Stockholder distributions paid, net of stock issued under the dividend reinvestment plan of $301, and $525, respectively | (13,870) | (12,356) |
| **Net cash provided by (used in) financing activities** | 188 | 36,358 |
| **Net increase (decrease) in Cash and Restricted Cash** | (171) | 6,917 |

| | | |
|---|---|---|
| Effect of foreign currency exchange rates | 3 | |
| **Cash and Restricted Cash, beginning of period(1)** | 7,199 | 8,331 |
| **Cash and Restricted Cash, end of period(2)** | $7,031 | $15,248 |
| Supplemental disclosure of cash flow information: | | |
| Cash interest paid during the period | $4,786 | $3,473 |
| Cash paid for excise taxes during the period | $91 | $495 |

(1) Represents cash and restricted cash of $4,332 and $2,867, respectively, from the consolidated statement of assets and liabilities as of December 31, 2017. Represents cash and restricted cash of $5,958 and $2,373, respectively, from the consolidated statement of assets and liabilities as of December 31, 2016.

(2) Represents cash and restricted cash of $2,779 and $4,252, respectively, from the consolidated statement of assets and liabilities as of June 30, 2018. Represents cash and restricted cash of $9,904 and $5,344, respectively, from the consolidated statement of assets and liabilities as of June 30, 2017.

See Notes to Consolidated Financial Statements.

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) June 30, 2018 (in thousands, except for shares and units)

| Portfolio Company[(a)] | Spread Above Index[(b)] | Interest Rate | Maturity | Principal | Amortized Cost | Fair Value[(c)] | % of Net Assets[(d)] |
|---|---|---|---|---|---|---|---|
| **Non-Controlled/Non-Affiliate Company Investments** | | | | | | | |
| **Senior Secured Loans** | | | | | | | |
| **Banking, Finance, Insurance & Real Estate** | | | | | | | |
| Echelon Funding I, LLC (Delayed Draw)[(e)(f)(g)] | L+10.25% | 12.23% | 2/24/2021 | 15,750 | $15,745 | $15,941 | 5.9% |
| HFZ Capital Group, LLC[(e)] | L+10.17% | 12.31% Cash/ 0.17% PIK[(h)] | 10/20/2019 | 18,000 | 17,718 | 18,000 | 6.6% |
| Liftforward SPV II, LLC[(e)(f)] | L+10.75% | 12.84% | 11/10/2020 | 10,000 | 4,220 | 4,279 | 1.6% |
| PKS Holdings, LLC[(e)] | L+9.50% | 11.48% | 11/30/2022 | 1,778 | 1,622 | 1,720 | 0.6% |
| PKS Holdings, LLC (Revolver)[(e)(f)] | L+9.50% | 11.48% | 11/30/2022 | 80 | | | 0.0% |
| | | | | 45,608 | 39,305 | 39,940 | 14.7% |
| **Beverage, Food & Tobacco** | | | | | | | |
| All Holding Company, LLC[(i)] | L+7.00% | 9.09% | 11/15/2021 | 5,259 | 5,187 | 5,131 | 1.9% |
| California Pizza Kitchen, Inc. | L+6.00% | 8.10% | 8/23/2022 | 6,878 | 6,818 | 6,750 | 2.5% |
| | | | | 12,137 | 12,005 | 11,881 | 4.4% |
| **Capital Equipment** | | | | | | | |
| Hastings Manufacturing Company | L+8.25% | 10.34% | 4/24/2023 | 2,981 | 2,923 | 2,969 | 1.1% |
| Hastings Manufacturing Company (Delayed Draw)[(f)(g)] | L+8.25% | 10.34% | 4/24/2023 | 899 | | | 0.0% |
| | | | | 3,880 | 2,923 | 2,969 | 1.1% |
| **Chemicals, Plastics & Rubber** | | | | | | | |
| Valudor Products LLC | L+7.50% | 9.59% | 6/18/2023 | 1,624 | 1,592 | 1,592 | 0.6% |
| Valudor Products LLC[(j)] | L+7.50% | 9.59% | 6/18/2023 | 211 | 205 | 205 | 0.1% |
| Valudor Products LLC (Revolver)[(f)] | L+7.50% | 9.59% | 6/18/2023 | 264 | 66 | 65 | 0.0% |
| | | | | 2,099 | 1,863 | 1,862 | 0.7% |
| **Construction & Building** | | | | | | | |
| Cali Bamboo, LLC | L+7.00% | 9.09% | 7/10/2020 | 5,291 | 5,248 | 5,291 | 2.0% |
| Cali Bamboo, LLC (Revolver)[(f)] | L+7.00% | 9.09% | 7/10/2020 | 2,165 | 779 | 779 | 0.3% |
| Cornerstone Detention Products, Inc.[(k)] | L+11.83% | | 4/8/2019 | 3,434 | 3,422 | 3,434 | 1.3% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 10.59% Cash/ 3.33% PIK(l) | | | | | | | |
| Cornerstone Detention Products, Inc. (Revolver)(f) | L+8.50 | % | 10.59 | % | 4/8/2019 | 1,000 | 200 | 200 | 0.1 | % |
| TRP Construction Group, LLC(i) | L+6.50 | % | 8.59 | % | 10/5/2022 | 7,960 | 7,820 | 7,948 | 2.9 | % |
| TRP Construction Group, LLC (Revolver)(f) | L+6.50 | % | 8.59 | % | 10/5/2022 | 2,133 | | | 0.0 | % |
| | | | | | | 21,983 | 17,469 | 17,652 | 6.6 | % |
| **Consumer Goods: Durable** | | | | | | | | | | |
| Parterre Flooring & Surface Systems, LLC(i) | L+7.25 | % | 9.34 | % | 8/22/2022 | 11,550 | 11,352 | 11,533 | 4.3 | % |
| Parterre Flooring & Surface Systems, LLC (Revolver)(f) | L+7.25 | % | 9.34 | % | 8/22/2022 | 2,400 | | | 0.0 | % |
| | | | | | | 13,950 | 11,352 | 11,533 | 4.3 | % |
| **Consumer Goods: Non-Durable** | | | | | | | | | | |
| Gibson Brands, Inc.(m) | n/a | | 8.88%(n) | | n/a | 10,000 | 9,220 | 8,491 | 3.1 | % |
| Gibson Brands, Inc. (DIP Facility)(f) | L+9.00 | % | 11.01 | % | 2/1/2019 | 3,600 | 959 | 1,087 | 0.4 | % |
| Solaray, LLC | L+6.50 | % | 8.82 | % | 9/9/2023 | 3,247 | 3,222 | 3,247 | 1.2 | % |
| Solaray, LLC | L+6.50 | % | 8.83 | % | 9/9/2023 | 697 | 697 | 697 | 0.3 | % |
| | | | | | | 17,544 | 14,098 | 13,522 | 5.0 | % |

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) (unaudited) June 30, 2018 (in thousands, except for shares and units)

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# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
## (unaudited)
## June 30, 2018
## (in thousands, except for shares and units)

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
(unaudited)
June 30, 2018
(in thousands, except for shares and units)

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## CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
## (unaudited)
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## (in thousands, except for shares and units)

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# (in thousands, except for shares and units)

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) (unaudited) June 30, 2018 (in thousands, except for shares and units)

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

(b) The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ( LIBOR or L ) or Prime Rate ( Prime or P ) which reset daily, monthly, quarterly, or semiannually. F each such investment, the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at June 30, 2018. Certain investments are subject to a LIBOR or Prime interest rate floor, or rate cap.

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

(d) Percentages are based on net assets of $270,708 as of June 30, 2018.

(e) This investment is treated as a non-qualifying investment under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of the Company s total assets. As of June 30, 2018, non-qualifying assets totaled 16.31% of the Company s total assets.

(f) All or a portion of this commitment was unfunded at June 30, 2018. As such, interest is earned only on the funded portion of this commitment.

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

(h) The PIK portion of the interest rate for HFZ Capital Group, LLC is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.17% per annum.

(i) 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.

(j) This investment represents a note convertible to preferred shares of the borrower.

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) (unaudited) June 30, 2018 (in thousands, except for shares and units)

(k) A portion of this loan (principal of $2,061) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP, and is therefore not collateral to the Company s revolving credit facility.

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

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

(n) This position was on non-accrual status as of June 30, 2018, meaning that the Company has ceased accruing interest income on the position. See Note 2 in the accompanying notes to the consolidated financial statements for additional information on the Company s accounting policies.

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

(p) This is an international company.

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

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

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

(t) A portion of this loan (principal of $5,061) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP, and is therefore not collateral to the Company s revolving credit facility.

(u) The PIK portion of the interest rate for Incipio Technologies, Inc. is structured as a fee paid upon the termination of the commitment. The fee currently accrues at 0.56% per annum.

(v)

A portion of this loan (principal of $46) is held in the Company s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP, and is therefore not collateral to the Company s revolving credit facility.

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

(x) A portion of this loan (principal of $1,015) 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.

(y) A portion of this loan (principal of $1,938) 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.

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

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

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

(ac) Represents a non-income producing security.

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# MONROE CAPITAL CORPORATION

# CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) (unaudited) June 30, 2018 (in thousands, except for shares and units)

(ad) 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).

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

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

n/a not applicable

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# MONROE CAPITAL CORPORATION

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

| Portfolio Company[a] | Spread Above Index[b] | Interest Rate | Maturity | Principal | Amortized Cost | Fair Value[c] | % of Net Assets[d] |
|---|---|---|---|---|---|---|---|
| **Non-Controlled/Non-Affiliate Company Investments** | | | | | | | |
| **Senior Secured Loans** | | | | | | | |
| **Banking, Finance, Insurance & Real Estate** | | | | | | | |
| Echelon Funding I, LLC (Delayed Draw)[e][f][g] | L+10.25% | 11.61% | 2/24/2021 | 15,750 | $15,415 | $15,654 | 5.6% |
| HFZ Capital Group, LLC[e] | L+10.00% | 11.36% | 10/20/2019 | 18,000 | 17,613 | 17,991 | 6.5% |
| Liftforward SPV II, LLC[e][f] | L+10.75% | 12.32% | 11/10/2020 | 10,000 | 4,212 | 4,268 | 1.5% |
| PKS Holdings, LLC[e] | L+9.50% | 10.85% | 11/30/2022 | 1,800 | 1,640 | 1,719 | 0.6% |
| PKS Holdings, LLC (Revolver)[e][f] | L+9.50% | 10.85% | 11/30/2022 | 80 | | | 0.0% |
| | | | | 45,630 | 38,880 | 39,632 | 14.2% |
| **Beverage, Food & Tobacco** | | | | | | | |
| All Holding Company, LLC[h] | L+7.00% | 8.57% | 11/15/2021 | 5,328 | 5,246 | 5,368 | 1.9% |
| California Pizza Kitchen, Inc. | L+6.00% | 7.57% | 8/23/2022 | 6,913 | 6,850 | 6,791 | 2.5% |
| | | | | 12,241 | 12,096 | 12,159 | 4.4% |
| **Construction & Building** | | | | | | | |
| Cali Bamboo, LLC | L+8.00% | 9.57% | 7/10/2020 | 5,319 | 5,266 | 5,319 | 1.9% |
| Cali Bamboo, LLC (Revolver)[f] | L+8.00% | 9.57% | 7/10/2020 | 2,165 | 1,039 | 1,039 | 0.4% |
| Cornerstone Detention Products, Inc.[i] | L+11.83% | 10.07% Cash/ 3.33% PIK [j] | 4/8/2019 | 3,521 | 3,501 | 3,500 | 1.3% |
| Cornerstone Detention Products, Inc. (Revolver)[f] | L+8.50% | 10.07% | 4/8/2019 | 400 | 200 | 199 | 0.1% |
| TRP Construction Group, LLC[h] | L+6.50% | 8.07% | 10/5/2022 | 8,000 | 7,845 | 7,992 | 2.9% |
| TRP Construction Group, LLC (Revolver)[f] | L+6.50% | 8.07% | 10/5/2022 | 2,134 | | | 0.0% |
| | | | | 21,539 | 17,851 | 18,049 | 6.6% |
| **Consumer Goods: Durable** | | | | | | | |
| Parterre Flooring & Surface Systems, LLC[h] | L+7.25% | 8.82% | 8/22/2022 | 11,850 | 11,625 | 11,808 | 4.2% |
| Parterre Flooring & Surface Systems, LLC (Revolver)[f] | L+7.25% | 8.82% | 8/22/2022 | 2,400 | | | 0.0% |
| | | | | 14,250 | 11,625 | 11,808 | 4.2% |
| **Consumer Goods: Non-Durable** | | | | | | | |
| Gibson Brands, Inc.[k] | 8.88% | 8.88% | 8/1/2018 | 10,000 | 8,664 | 8,435 | 3.0% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Solaray, LLC | L+6.50 % | 8.02 % | | 9/9/2023 | 3,264 | 3,236 | 3,264 | 1.2 | % |
| Solaray, LLC (Delayed Draw) | L+6.50 % | 8.19 % | | 9/9/2023 | 699 | 699 | 699 | 0.3 | % |
| | | | | | 13,963 | 12,599 | 12,398 | 4.5% | |
| **Energy: Oil & Gas** | | | | | | | | | |
| Landpoint, LLC | L+12.75 % | 12.07% Cash/ 2.25% PIK | (l) | 12/20/2019 | 2,386 | 2,372 | 2,352 | 0.8 | % |
| Landpoint, LLC (Revolver)(f) | L+10.50 % | 12.07 % | | 12/20/2019 | 313 | | | 0.0 | % |
| | | | | | 2,699 | 2,372 | 2,352 | 0.8 | % |
| **Environmental Industries** | | | | | | | | | |
| Synergy Environmental Corporation(h) | L+8.00 % | 9.57 % | | 4/29/2021 | 3,011 | 2,958 | 3,036 | 1.1 | % |
| Synergy Environmental Corporation(h) | L+8.00 % | 9.57 % | | 4/29/2021 | 504 | 495 | 508 | 0.2 | % |
| Synergy Environmental Corporation (Delayed Draw)(f)(g) | L+8.00 % | 9.57 % | | 4/29/2018 | 1,342 | 859 | 866 | 0.3 | % |
| Synergy Environmental Corporation (Revolver)(f) | L+8.00 % | 9.57 % | | 4/29/2021 | 671 | 47 | 47 | 0.0 | % |
| | | | | | 5,528 | 4,359 | 4,457 | 1.6 | % |

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

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

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

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

(d) Percentages are based on net assets of $278,699 as of December 31, 2017.

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

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

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

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

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

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

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

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

(m) This is an international company.