MONROE CAPITAL Corp
Form 10-Q
November 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

Commission file number: 814-00866

MONROE CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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

(312) 258-8300

(Registrant's Telephone Number, Including Area Code)

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

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

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

Large accelerated filer ¨		Accelerated filer	x

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

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

As of November 7, 2014, the registrant had 9,517,910 shares of common stock, $0.001 par value, outstanding.

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Part I. Financial Information

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except per share data)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Investments, at fair value		
Non-controlled/non-affiliate company investments, at fair value (cost of: $227,821 and $206,945, respectively)	$ 228,138	$ 207,920
Non-controlled affiliate company investments, at fair value (cost of: $7,072 and $0, respectively)	6,519	-
Total investments, at fair value (cost of: $234,893 and $206,945, respectively)	234,657	207,920
Cash	14,497	14,603
Interest receivable	906	638
Deferred financing costs, net	2,280	2,091
Other assets	603	429
Total assets	252,943	225,681
LIABILITIES		
Revolving credit facility	90,800	76,000
SBA debentures payable	13,650	-
Secured borrowings, at fair value (proceeds of: $6,125 and $7,997, respectively)	5,906	7,943
Payable for open trades	6,403	840
Interest payable	118	239
Management fees payable	1,058	845
Incentive fees payable	993	1,067
Accounts payable and accrued expenses	1,243	655
Total liabilities	120,171	87,589
Net assets	$ 132,772	$ 138,092

Commitments and contingencies (See Note 9)

ANALYSIS OF NET ASSETS

Common stock, $0.001 par value, 100,000 shares authorized, 9,518 and 9,918 shares issued and outstanding, respectively	$ 10	$ 10
Capital in excess of par value	134,803	140,038
Accumulated distributions in excess of net investment income	(2,024)	(2,985)
Accumulated net realized gain (loss) on investments	-	-
Accumulated net unrealized appreciation on investments and secured borrowings	(17)	1,029
Total net assets	$ 132,772	$ 138,092
Net asset value per share	$ 13.95	$ 13.92

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Investment income:				
Interest income:				
Non-controlled/non-affiliate company investments	$ 7,469	$ 4,347	$ 20,760	$ 11,818
Non-controlled affiliate company investments	199	-	470	-
Total investment income	7,668	4,347	21,230	11,818
Operating expenses:				
Interest and other debt financing expenses	1,100	594	3,182	1,968
Base management fees	1,058	702	3,041	1,907
Incentive fees	849	37	2,433	842
Professional fees	366	278	855	703
Administrative service fees	250	102	668	417
General and administrative expenses	235	221	597	515
Total expenses	3,858	1,934	10,776	6,352
Net investment income	3,810	2,413	10,454	5,466
Net gain (loss) on investments and secured borrowings:				
Net realized gain (loss) on investments:				
Non-controlled/non-affiliate company investments	94	223	299	369
Net realized gain (loss) on investments	94	223	299	369
Net change in unrealized appreciation (depreciation) on investments:				
Non-controlled/non-affiliate company investments	(540)	(741)	(1,508)	1,369
Non-controlled affiliate company investments	(87)	-	298	-
Net change in unrealized appreciation (depreciation) on investments	(627)	(741)	(1,210)	1,369
Net change in unrealized (appreciation) depreciation on secured borrowings	96	71	164	50

Net gain (loss) on investments and secured borrowings	(437)	(447)	(747)	1,788
Net increase (decrease) in net assets resulting from operations	$ 3,373	$ 1,966	$ 9,707	$ 7,254
Per common share data:				
Net investment income per share - basic and diluted	$ 0.40	$ 0.27	$ 1.09	$ 0.80
Net increase in net assets resulting from operations per share - basic and diluted	$ 0.35	$ 0.22	$ 1.01	$ 1.06
Weighted average common shares outstanding - basic and diluted	9,527	8,922	9,623	6,824

See Notes to Consolidated Financial Statements

MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

(in thousands, except per share data)

	Common Stock		**Capital in excess**	**Accumulated distributions in excess of net investment**	**Accumulated net realized gain (loss) on**	**Accumulated net unrealized appreciation (depreciation) on investments and secured**	
	Number of shares	Par value	**of par value**	**income**	**investments**	**borrowings**	Total net assets
Balances at December 31, 2012	5,750	$ 6	$ 84,633	$ (1,165)	$ -	$ 160	$ 83,634
Net increase in net assets resulting from operations	-	-	-	5,466	369	1,419	7,254
Issuance of common stock, net of offering and underwriting costs (1)	4,225	4	56,140	-	-	-	56,144
Stockholder distributions paid, including stock issued in connection with dividend reinvestment plan	28	-	417	(7,316)	-	-	(6,899)
Balances at September 30, 2013	10,003	$ 10	$ 141,190	$ (3,015)	$ 369	$ 1,579	$ 140,133
Balances at December 31, 2013	9,918	$ 10	$ 140,038	$ (2,985)	$ -	$ 1,029	$ 138,092
Net increase in net assets resulting from operations	-	-	-	10,454	299	(1,046)	9,707
Stockholder distributions paid	-	-	-	(9,493)	(299)	-	(9,792)
Repurchases of common stock	(400)	-	(5,235)	-	-	-	(5,235)
	9,518	$ 10	$ 134,803	$ (2,024)	$ -	$ (17)	$ 132,772

Balances at September 30, 2014

(1) On July 22, 2013, the Company completed a public offering of 4,000 shares of its common stock at a public offering price of $14.05 per share. On August 20, 2013, the Company sold an additional 225 shares of its common stock at a public offering price of $14.05 per share pursuant to the underwriters' partial exercise of the over-allotment option.

See Notes to Consolidated Financial Statements

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MONROE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine months ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	$ 9,707	$ 7,254
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized (appreciation) depreciation on investments	1,210	(1,369)
Net change in unrealized appreciation (depreciation) on secured borrowings	(164)	(50)
Net realized (gain) loss on investments	(299)	(369)
Paid-in-kind interest income	(621)	(102)
Net accretion of discounts and amortization of premiums	(480)	(120)
Proceeds from principal payments and sales of investments	76,839	38,081
Purchases of investments	(103,386)	(72,802)
Amortization of deferred financing costs	418	345
Changes in operating assets and liabilities:		
Interest receivable	(268)	(224)
Other assets	(174)	(100)
Payable for open trades	6,122	-
Interest payable	(121)	2
Management fees payable	213	384
Incentive fees payable	(74)	359
Accounts payable and accrued expenses	588	164
Net cash provided by (used in) operating activities	(10,490)	(28,547)
Cash flows from financing activities		
Borrowings on credit facility	72,300	71,500
Repayments of credit facility	(57,500)	(73,000)
SBA debentures borrowings	13,650	-
Payments of deferred financing costs	(607)	(200)
Proceeds from secured borrowings	-	10,000
Repayments on secured borrowings	(1,873)	(1,301)
Proceeds from shares sold, net of underwriting costs	-	56,690

Repurchases of common stock	(5,794)	-
Offering costs paid	-	(546)
Stockholder distributions paid (net of stock issued under dividend reinvestment plan of $0 and $417, respectively)	(9,792)	(6,899)
Net cash provided by (used in) financing activities	10,384	56,244
Net increase (decrease) in cash	(106)	27,697
Cash, beginning of period	14,603	4,060
Cash, end of period	$ 14,497	$ 31,757
Supplemental disclosure of cash flow information:		
Cash interest paid during the period	$ 2,496	$ 1,312

See Notes to Consolidated Financial Statements

MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

(unaudited)

September 30, 2014

(in thousands, except for units)

Portfolio Company (a)	Industry	**Spread Above Index (b)**	Interest Rate	Maturity
Senior Secured Loans				
Alliance Time Holdings, LLC (e)	Retail	L+11.50%	10.00% Cash/3.00% PIK	12/24/201
Alora Pharmaceuticals, LLC (f)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018
Alora Pharmaceuticals, LLC (Revolver) (g)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018
BCC Software, LLC (h)	High Tech Industries	L+8.00%	9.00%	6/20/2019
BCC Software, LLC (Revolver) (g)	High Tech Industries	L+8.00%	9.00%	6/20/2019
BookIt Operating LLC (i)	Hotels, Gaming & Leisure	L+12.50%	12.00% Cash/2.00% PIK	1/10/2019
Cornerstone Detention Products, Inc. (j)	Construction and Building	L+9.50%	9.50% Cash/1.00% PIK	4/8/2019
Cornerstone Detention Products, Inc. (Revolver) (g)	Construction and Building	L+8.50%	9.50%	4/8/2019
EB Employee Solutions, LLC (h)	Services: Business	L+8.50%	10.00%	2/28/2019
Fineline Technologies, Inc.	Consumer Goods: Non-Durable	L+6.75%	8.00%	5/6/2017
Gracelock Industries, LLC	Wholesale	L+12.05%	11.00% Cash/2.55% PIK (q)	5/7/2019
Gracelock Industries, LLC (Revolver) (g)	Wholesale	L+9.50%	9.65%	5/7/2019
Landpoint, LLC	Energy: Oil & Gas	L+12.25%	11.50% Cash/2.25% PIK (r)	12/20/201
	Energy: Oil & Gas	L+10.00%	11.50%	12/20/201

Landpoint, LLC (Revolver) (g)				
L.A.R.K. Industries, Inc.	Construction and Building	L+10.00%	11.50%	9/3/2019
Luxury Optical Holdings Co.	Retail	L+9.00%	9.00% Cash/1.00% PIK	9/12/2019
Luxury Optical Holdings Co. (Revolver) (g)	Retail	L+8.00%	9.00%	9/12/2019
Miles Media Group LLC	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019
Miles Media Group LLC (Delayed Draw) (g) (k)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019
Miles Media Group LLC (Revolver) (g)	Hotels, Gaming & Leisure	L+8.50%	9.50%	9/12/2019
O'Brien Industrial Holdings, LLC (l)	Metals & Mining	L+11.50%	11.00% Cash/2.00% PIK	5/13/2019
O'Brien Industrial Holdings, LLC (Revolver) (g)	Metals & Mining	L+9.50%	11.00%	5/13/2019
Output Services Group, Inc.	Services: Business	L+10.00%	10.50% Cash/1.00% PIK	12/17/201
Output Services Group, Inc. (Revolver) (g)	Services: Business	L+4.50%	4.65%	12/17/201
PD Products, LLC	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018
PD Products, LLC (Revolver) (g)	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018
Rocket Dog Brands LLC (m)	Consumer Goods: Non-Durable	n/a	10.00%	5/2/2019
SHI Holdings, Inc. (h)	Healthcare & Pharmaceuticals	L+9.25%	9.40%	7/10/2019
SHI Holdings, Inc. (Revolver) (g)	Healthcare & Pharmaceuticals	L+9.25%	9.40%	7/10/2019
SNI Companies (n)	Services: Business	L+8.00%	9.00%	12/31/201
SNI Companies (Revolver) (g)	Services: Business	L+8.00%	9.00%	12/31/201
Summit Container Corporation (h) (m)	Containers, Packaging & Glass	L+9.00%	11.00%	1/6/2019
Trico Products Corporation	Automotive	L+4.75%	6.25%	7/22/2016
West World Media, LLC	Media: Diversified & Production	L+11.00%	9.00% Cash/3.00% PIK	5/8/2019
Willbros Group Inc.	Construction and Building	L+9.75%	11.00%	8/7/2019
Yandy Holding, LLC	Retail	L+9.00%	10.00%	9/30/2019
Yandy Holding, LLC (Revolver) (g)	Retail	L+9.00%	10.00%	9/30/2019
Total Senior Secured Loans				
Unitranche Loans				
Accutest Corporation	Services: Business	L+7.50%	9.00%	6/5/2018

Collaborative Neuroscience Network, LLC (o)	Healthcare & Pharmaceuticals	L+11.50%	13.00%	12/27/201
Conisus, LLC	Media Advertising, Printing & Publishing	L+7.00%	8.25%	12/27/201
Consolidated Glass Holdings, Inc.	Capital Equipment	L+12.50%	11.50% Cash/2.00% PIK	4/17/2017
Escort Holdings Corp.	Consumer Goods: Durable	L+9.00%	9.50%	10/7/2018
Fabco Automotive Corporation	Automotive	L+9.25%	10.25%	4/3/2017
FTJFundChoice, LLC	Banking, Finance, Insurance & Real Estate	L+10.00%	11.50%	7/17/2017
LAI International, Inc.	Services: Business	L+10.49%	11.99%	2/27/2017
MooreCo, Inc.	Consumer Goods: Durable	L+13.50%	12.50% Cash/2.50% PIK	12/27/201
Playtime, LLC (o)	Hotels, Gaming & Leisure	L+7.50%	9.00%	12/4/2017
The Tie Bar Operating Company, LLC	Retail	L+8.50%	9.75%	6/25/2018
TPP Acquisition, Inc. (o)	Retail	L+9.00%	10.50%	12/17/201
Total Unitranche Loans				
Junior Secured Loans				
Answers Corporation	High Tech Industries	L+10.00%	11.00%	6/19/2020
Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25%	5/8/2019
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.75%	8.75%	7/3/2021
Pre-Paid Legal Services, Inc. (Legal Shield)	Services: Consumer	L+8.50%	9.75%	7/1/2020
Rocket Dog Brands LLC (m)	Consumer Goods: Non-Durable	n/a	15.00% PIK	5/2/2020
Total Junior Secured Loans				
Equity Securities				
BookIt Operating LLC (warrant to purchase up to 4.2% of the equity) (p)	Hotels, Gaming & Leisure	-	-	1/10/2024
Collaborative Neuroscience Network, LLC (warrant to purchase up to 1.67 LLC units) (p)	Healthcare & Pharmaceuticals	-	-	12/27/202
Monte Nido Residential Center, LLC - Class A Units Common Units (1,762 units) (p)	Services: Consumer	-	-	-
O'Brien Industrial Holdings, LLC (warrants to purchase up to 2.44% of certain affiliate entities of the	Metals & Mining	-	-	5/13/2024

company) (p)				
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock) (p)	Services: Business	-	-	12/17/202
Playtime, LLC - Preferred Units (8,665 units) (p)	Hotels, Gaming & Leisure	-	-	-
Rocket Dog Brands LLC - Common Units (75,502 units) (m)	Consumer Goods: Non-Durable	-	-	-
Rocket Dog Brands LLC - Preferred Units (10 units) (m)	Consumer Goods: Non-Durable	-	15.00% PIK (s)	-
Summit Container Corporation (warrant to purchase up to 19.50% of the equity) (m)	Containers, Packaging & Glass	-	-	1/6/2024
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units) (p)	Retail	-	-	-
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units) (p)	Retail	-	-	-
Total Equity Securities				
TOTAL INVESTMENTS				

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(a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940 except for Willbros Group, Inc., which is a public company with aggregate market value of outstanding equity in excess of $250,000. Nonqualified assets totaled $891, or 0.4% of the total assets at September 30, 2014.

(b) The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate (“LIBOR” or “L”) or Prime (“P”) which reset daily, monthly, quarterly, or semiannually. For each the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at September 30, 2014. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

(d) Percentages are based on net assets of $132,772 as of September 30, 2014.

(e) A portion of this loan (par of $2,933) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(f) A portion of this loan (par of $4,750) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(g) All or a portion of this commitment was unfunded at September 30, 2014. As such, interest is earned only on the funded portion of this commitment.

(h) All of this loan is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(i) A portion of this loan (par of $3,003) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(j) A portion of this loan (par of $2,865) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

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

(l) A portion of this loan (par of $2,010) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(m) As defined in the 1940 Act, the Company is deemed to be 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 transactions during the three and nine months ended September 30, 2014 in which the issuer was an Affiliated Person (but not a portfolio company that the Company is deemed to control.)

(n) A portion of this loan (par of $3,452) is held in the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP and is therefore not collateral to the Company’s revolving credit facility discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(o)

The sale of a portion of this loan does not qualify for sale accounting under ASC Topic 860 — *Transfers and Servicing*, and therefore, the entire unitranche loan asset remains in the Consolidated Schedule of Investments. (See Note 7 in the accompanying notes to the consolidated financial statements.)

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

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

(r) The PIK portion of the interest rate for Landpoint, LLC is structured as a fee paid upon the termination of the commitment. The fee accrues at 2.25% per annum and is subject to a minimum payment upon termination of $337,500.

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

n/a - not applicable

See Notes to Consolidated Financial Statements.

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MONROE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2013

(in thousands, except for units)

Portfolio Company (a)	Industry	Spread Above Index (b)	Interest Rate	Maturity	I
Senior Secured Loans					
Alliance Time Holdings, LLC	Retail	L+11.50%	10.00% Cash/3.00% PIK	12/24/2018	$
Alora Pharmaceuticals, LLC (e)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	
Alora Pharmaceuticals, LLC (Revolver) (f)	Healthcare & Pharmaceuticals	L+9.00%	10.00%	9/13/2018	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	L+5.00%	6.00%	2/9/2018	
Fineline Technologies, Inc.	Consumer Goods: Non-Durable	L+6.75%	8.00%	5/6/2017	
Genex Services, Inc.	Banking, Finance, Insurance & Real Estate	L+4.25%	5.25%	7/26/2018	
Hoffmaster Group, Inc.	Consumer Goods: Non-Durable	L+5.25%	6.50%	1/3/2018	
Keystone Automotive Holdings, Inc.	Automotive	L+5.75%	7.00%	8/15/2019	
Landpoint, LLC (g)	Energy: Oil & Gas	L+11.00%	9.50% Cash/2.25% PIK	12/20/2018	
Landpoint, LLC (Revolver) (f)	Energy: Oil & Gas	L+8.00%	9.50%	12/20/2018	
Latisys Holdings Corp.	High Tech Industries	L+5.25%	6.50%	3/6/2019	
Northland Cable Television, Inc. and Affiliates	Telecommunications	L+6.00%	7.75%	12/30/2016	
Output Services Group, Inc.	Services: Business	L+8.00%	9.50%	12/17/2018	
Output Services Group, Inc. (Revolver)	Services: Business	L+4.50%	4.66%	12/17/2018	
PD Products, LLC (Revolver)	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018	

PD Products, LLC	Consumer Goods: Non-Durable	L+10.50%	12.00%	10/4/2018
Reliance Communications, LLC	High Tech Industries	L+7.00%	8.00%	12/18/2017
Reliance Communications, LLC	High Tech Industries	L+11.50%	12.50%	12/18/2017
Rocket Dog Brands, LLC	Consumer Goods: Non-Durable	P+10.50%	13.75%	3/31/2014
Rocket Dog Brands, LLC	Consumer Goods: Non-Durable	P+10.50%	13.75%	3/31/2014
Surgical Specialties Corporation (US), Inc.	Healthcare & Pharmaceuticals	L+5.75%	7.25%	8/22/2018
Trico Products Corporation	Automotive	L+4.75%	6.25%	7/22/2016
Willbros Group, Inc.	Construction and Building	L+9.75%	11.00%	8/7/2019
Zest Holdings, LLC	Consumer Goods: Durable	L+5.50%	6.50%	8/16/2020
Total Senior Secured Loans				
Unitranche Loans				
Accutest Corporation	Services: Business	L+7.50%	9.00%	6/5/2018
Collaborative Neuroscience Network, LLC (h)	Healthcare & Pharmaceuticals	L+10.00%	11.50%	12/27/2017
Conisus, LLC	Media: Advertising, Printing & Publishing	L+7.00%	8.25%	12/27/2017
Consolidated Glass Holdings, Inc.	Capital Equipment	L+10.50%	11.50%	4/17/2017
Escort Holdings Corp.	Consumer Goods: Durable	L+9.00%	9.50%	10/7/2018
Fabco Automotive Corporation	Automotive	L+8.25%	9.25%	4/3/2017
Forbes Media LLC	Media: Advertising, Printing & Publishing	L+10.25%	11.75%	7/31/2017
FTJFundChoice, LLC	Banking, Finance, Insurance & Real Estate	L+10.25%	11.75%	7/17/2017
LAI International, Inc.	Services: Business	L+9.25%	10.75%	2/27/2017
MooreCo, Inc.	Consumer Goods: Durable	L+13.50%	12.50% Cash/2.50% PIK	12/27/2017
Playtime, LLC (h)	Hotels, Gaming & Leisure	L+7.50%	9.00%	12/4/2017
The Tie Bar Operating Company, LLC	Retail	L+8.50%	9.75%	6/25/2018
TPP Acquisition, Inc. (h)	Retail	L+9.00%	10.50%	12/17/2017
Update, Inc.	Services: Business	L+7.75%	9.25%	3/14/2018
Total Unitranche Loans				
Junior Secured Loans				
Clondalkin Acquisition B.V.	Containers, Packaging & Glass	L+8.75%	10.00%	11/30/2020
Confie Seguros Holdings II Co.	Banking, Finance, Insurance & Real Estate	L+9.00%	10.25%	5/8/2019
CSM Bakery Supplies LLC	Beverage, Food & Tobacco	L+7.50%	8.50%	7/3/2021
Genex Services, Inc.	Banking, Finance, Insurance & Real Estate	L+8.25%	9.25%	1/26/2019
	Services: Consumer	L+8.50%	9.75%	7/1/2020

Pre-Paid Legal Services, Inc. (Legal Shield)				
Road Infrastructure Investment, LLC	Chemicals, Plastics & Rubber	L+9.00%	10.25%	9/30/2018
StoneRiver Group, L.P.	Services: Business	L+7.25%	8.50%	5/30/2020
SumTotal Systems LLC	High Tech Industries	L+9.00%	10.25%	5/16/2019
TriNet Group Inc.	Services: Business	L+7.75%	8.75%	8/19/2019
US Renal Care, Inc.	Healthcare & Pharmaceuticals	L+7.50%	8.50%	1/3/2020
Total Junior Secured Loans				
Equity Securities (i)				
Collaborative Neuroscience Network, LLC (warrant to purchase up to 1.67 LLC units)	Healthcare & Pharmaceuticals	-	-	12/27/2022
Monte Nido Residential Center, LLC - Class A Units Common Units (1,762 units)	Services: Consumer	-	-	-
Output Services Group, Inc. (warrant to purchase up to 3.89% of the common stock)	Services: Business	-	-	12/17/2022
Playtime, LLC - Preferred Units (8,665 units)	Hotels, Gaming & Leisure	-	-	-
The Tie Bar Operating Company, LLC - Class A Preferred Units (1,275 units)	Retail	-	-	-
The Tie Bar Operating Company, LLC - Class B Preferred Units (1,275 units)	Retail	-	-	-
Total Equity Securities				
TOTAL INVESTMENTS				

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(a) All of our investments are issued by eligible U.S. portfolio companies, as defined in the Investment Company Act of 1940 except for Clondalkin Acquisition B.V., which is based in the Netherlands, and Willbros Group Inc., which is a public company with aggregate market value of outstanding equity in excess of $250,000. Nonqualified assets totaled $2,992, or 1.3% of the total assets at December 31, 2013.

(b) The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime ("P") which reset daily, monthly, quarterly, or semiannually. For each the Company has provided the spread over LIBOR or Prime and the current contractual interest rate in effect at December 31, 2013. Certain investments are subject to a LIBOR or Prime interest rate floor.

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

(d) Percentages are based on net assets of $138,092 as of December 31, 2013.

(e) A portion of this loan (par of $4,938) 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 discussed in Note 7 in the accompanying notes to the consolidated financial statements.

(f) The entire commitment was unfunded at December 31, 2013. As such, no interest is being earned on this investment.

(g) The PIK portion of the interest rate for Landpoint, LLC is structured as a fee paid upon the termination of the commitment. The fee accrues at 2.25% per annum and is subject to a minimum payment upon termination of $337,500.

(h) The sale of a portion of this loan does not qualify for sale accounting under ASC Topic 860 — *Transfers and Servicing*, and therefore, the entire unitranche loan asset remains in the Schedule of Investments. (See Note 7 in the accompanying notes to the consolidated financial statements.)

(i) All investments are less than 5% ownership of the class and ownership of the portfolio company.

See Notes to Consolidated Financial Statements.

MONROE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in thousands, except share and per share data)

Note 1. Organization and Principal Business

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

On February 28, 2014, the Company’s wholly-owned subsidiary, Monroe Capital Corporation SBIC, LP (“MRCC SBIC”), a Delaware limited partnership, received a license from the Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”) under Section 301(c) of the Small Business Investment Company Act of 1958, as amended. MRCC SBIC commenced operations on September 16, 2013. As of September 30, 2014, MRCC SBIC had $20,000 in regulatory and leveragable capital and $13,650 in SBA-guaranteed debentures outstanding. As of September 30, 2014, MRCC SBIC had received a commitment letter from the SBA for SBA-guaranteed debentures of $20,000 and on October 20, 2014, received another commitment letter for an additional $20,000 in SBA-guaranteed debentures. See Note 7 for additional information.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The accompanying consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation

As permitted under Regulation S-X and Accounting Standards Codification (“ASC”) Topic 946 — *Financial Services —Investment Companies*, the Company will generally not consolidate its investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company’s wholly-owned subsidiaries, MRCC SBIC and its wholly-owned general partner MCC SBIC GP, LLC, in its consolidated financial statements beginning with the commencement of their operations in September 2013.

Fair Value of Financial Instruments

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

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments. Fair value of the Company’s revolving credit facility is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if available. The Company believes that the carrying value of its revolving credit facility approximates the fair value.

Revenue Recognition

The Company’s revenue recognition policies are as follows:

Investments and related investment income: Interest and dividend income is recorded on an accrual basis to the extent that the Company expects to collect such amounts. Interest and dividend income is accrued based upon the outstanding principal amount and contractual terms of debt and preferred equity investments. Interest is accrued on a daily basis. All other income is recorded into income when earned. The Company records prepayment fees and amendment fees on loans as interest income in the period received. For the three and nine months ended September 30, 2014, interest income included $387 and $792 of prepayment and amendment fees. For the three and nine months ended September 30, 2013, interest income included $1 and $4 of prepayment and amendment fees. Dividend income is recorded as dividends when declared or at the point an obligation exists for the portfolio company to make a distribution. Distributions of earnings from portfolio companies are evaluated to determine if the distribution is income or a return of capital.

Loan origination fees, original issue discounts and market discounts or premiums are capitalized, and the Company then amortizes such amounts using the effective interest method as interest income over the life of the investment. Unamortized discounts and loan origination fees totaled $3,939 and $3,151 as of September 30, 2014 and December 31, 2013, respectively. Upfront loan origination and closing fees received for the three and nine months ended September 30, 2014 totaled $962 and $2,444, respectively. For the three and nine months ended September 30, 2014, interest income included $169 and $480 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. For the three and nine months ended September 30, 2013, interest income included $30 and $120 of accretion of loan origination fees, original issue discounts and market discounts or premiums, respectively. Upon the prepayment of a loan or debt security, any unamortized premium or discount or loan origination fees are recorded as interest income. For the three and nine months ended September 30, 2014, interest income included $223 and $595 of unamortized discount or loan origination fees recorded as interest income upon prepayment of a loan or debt security, respectively.

The Company has certain investments in its portfolio that contain a PIK interest provision, which represents contractual interest or dividends that are added to the principal balance and recorded as income. For the three and nine months ended September 30, 2014, interest income included $292 and $621 of PIK interest, respectively. For the three and nine months ended September 30, 2013, interest income included $34 and $102 of PIK interest, respectively. The Company stops accruing PIK income when it is determined that PIK income is no longer collectible. To maintain RIC tax treatment, and to avoid corporate tax, substantially all of this income must be paid out to stockholders in the form of distributions, even though the Company has not yet collected the cash.

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

Non-accrual: Loans or preferred equity securities are placed on non-accrual status when principal, interest or dividend payments become materially past due, or when there is reasonable doubt that principal, interest or dividends will be collected. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal, interest or dividends are paid and, in management's judgment, are likely to remain current. During the nine months ended September 30, 2014, no loans were on non-accrual status. During the nine months ended September 30, 2014, the Company's investments in one portfolio company were restructured and as part of the restructuring the Company received preferred units with a stated PIK interest rate. These preferred units were placed on non-accrual status at the time of the restructuring. There were no other portfolio company investments on non-accrual status for the three and nine months ended September 30, 2014 and 2013.

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

Distributions

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

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

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

Earnings per Share

In accordance with the provisions of ASC Topic 260 — *Earnings per Share*, basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. The weighted-average shares outstanding utilized in the calculation of earnings per share for the three and nine months ended September 30, 2014 takes into account the Company's repurchases of its common stock on the repurchase date. There were no stock repurchases during the three and nine months ended September 30, 2013. See "*Share Repurchase Plan"* below for additional information on the Company's share repurchase plan. For the periods presented in these consolidated financial statements, there were no potentially dilutive common shares issued.

Segments

In accordance with ASC Topic 280 — *Segment Reporting*, the Company has determined that it has a single reporting segment and operating unit structure.

Cash

The Company deposits its cash in a financial institution and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Deferred Financing Costs

Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of September 30, 2014 and December 31, 2013, the Company had deferred financing costs of $2,280 and $2,091, respectively. These amounts are amortized and included in interest expense in the consolidated statements of operations over the estimated average life of the borrowings. Amortization of deferred financing costs for the three and nine months ended September 30, 2014 was $149 and $418, respectively. Amortization of deferred financing costs for the three and nine months ended September 30, 2013 was $116 and $345, respectively.

Offering Costs

Offering costs include, among other things, fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity offerings. Offering costs are charged against the proceeds from equity offerings within the consolidated statements of changes in net assets. As of September 30, 2014 and December 31, 2013, other assets on the consolidated statements of assets and liabilities included $320 and zero, respectively, of deferred offering costs which will be charged against the proceeds from further equity offerings when received.

Share Repurchase Plan

On November 11, 2013, the Board approved a share repurchase plan (the "Plan") under which up to $7,500 of the Company's outstanding common stock may be acquired in the open market at prices below the Company's NAV as reported in its then most recently published consolidated financial statements. The Plan was implemented at the discretion of management and expired on November 10, 2014. The shares may be purchased from time to time at prevailing market prices in the open market, including through block transactions.

During the three and nine months ended September 30, 2014, the Company repurchased 40,882 and 400,359 shares, respectively of common stock in open market transactions for an aggregate cost (including transaction costs) of $551 and $5,235, respectively. Since the approval of the Plan, the Company has repurchased 485,162 shares of common stock in open market transactions for an aggregate cost (including transaction costs) of $6,267. As of September 30, 2014 and December 31, 2013, zero and $559, respectively of these share repurchases were unsettled and included within payable for open trades on the consolidated statements of assets and liabilities. The Company is incorporated in Maryland and under the law of that state, shares repurchased are considered retired (repurchased shares become authorized but unissued shares) rather than treasury stock. As a result, the cost of the stock repurchased is recorded as a reduction to capital in excess of par value on the consolidated statement of changes in net assets.

Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment available to RICs. To maintain qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to shareholders, for each taxable year, at least 90% of the Company's "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. If the Company qualifies as a RIC and satisfies the annual distribution requirement, the Company will not have to pay corporate-level federal income taxes on any income that the Company distributes to its shareholders. The Company intends to make distributions in an amount sufficient to maintain RIC status each year and to avoid any federal income taxes on income. The Company will also be subject to nondeductible federal excise taxes if the Company does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no federal income taxes. To the extent that the Company determines that its estimated current year annual taxable income may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, calculated as 4% of the estimated excess taxable income as taxable income is earned. For the three and nine months ended September 30, 2014, no amount was recorded for U.S. federal excise tax.

The Company accounts for income taxes in conformity with ASC Topic 740 — *Income Taxes* ("ASC Topic 740"). ASC Topic 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. There were no material uncertain income tax positions through September 30, 2014. The 2013 and 2012 tax years remain subject to examination by U.S. federal and state tax authorities.

Recent Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (ASC Topic 860)*, which makes limited changes to the accounting for repurchase agreements, clarifies when repurchase agreements and securities lending transactions should be accounting for as secured borrowings, and requires additional disclosures regarding these types of transactions. The guidance is effective for fiscal years beginning on or after December 15, 2014, and for interim periods within those fiscal years. Management is currently evaluating the impact these changes will have on the Company's consolidated financial position or statement disclosures.

In June 2013, the FASB issued ASU 2013-08, *Financial Services — Investment Companies (ASC Topic 946)* ("ASU 2013-08"), which affects the scope, measurement and disclosure requirements for investment companies under GAAP. ASU 2013-08 contains new guidance on assessing whether an entity is an investment company, requiring non-controlling ownership interest in investment companies to be measured at fair value and requiring certain additional disclosures. This guidance became effective for the Company on January 1, 2014 and did not have a material impact on the Company's consolidated financial position or disclosures.

Note 3. Investments

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

	September 30, 2014		December 31, 2013	
Amortized Cost:				
Senior secured loans	$ 135,828	57.8 %	$ 89,039	43.0 %
Unitranche loans	82,453	35.1	95,513	46.2
Junior secured loans	15,284	6.5	22,032	10.6
Equity securities	1,328	0.6	361	0.2
Total	$ 234,893	100.0 %	$ 206,945	100.0 %

	September 30, 2014		**December 31, 2013**	
Fair Value:				
Senior secured loans	$ 137,812	58.7 %	$ 88,963	42.8 %
Unitranche loans	79,806	34.0	96,217	46.3
Junior secured loans	15,507	6.6	22,335	10.7
Equity securities	1,532	0.7	405	0.2
Total	$ 234,657	100.0 %	$ 207,920	100.0 %

The following table shows the composition of the investment portfolio by geographic region, at amortized cost and fair value (with corresponding percentage of total portfolio investments). The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business:

	September 30, 2014		**December 31, 2013**	
Amortized Cost:				
West	$ 74,463	31.7 %	$ 73,674	35.6 %
Southeast	56,172	23.9	45,455	22.0
Midwest	39,706	16.9	23,043	11.1
Northeast	36,096	15.4	21,268	10.3
Southwest	21,013	8.9	24,819	12.0
Mid-Atlantic	7,443	3.2	16,724	8.1
International	—	—	1,962	0.9
Total	$ 234,893	100.0 %	$ 206,945	100.0 %

	September 30, 2014	**December 31, 2013**
Fair Value:		

West	$ 71,222	30.3 %	$ 73,185	35.2 %
Southeast	57,284	24.4	45,904	22.1
Midwest	40,757	17.4	23,507	11.2
Northeast	37,072	15.8	21,175	10.2
Southwest	20,831	8.9	25,428	12.2
Mid-Atlantic	7,491	3.2	16,741	8.1
International	—	—	1,980	1.0
Total	$ 234,657	100.0 %	$ 207,920	100.0 %

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

	September 30, 2014		December 31, 2013	
Amortized Cost:				
Services: Business	$ 35,214	15.0 %	$ 28,580	13.8 %
Retail	30,527	13.0	20,811	10.1
Consumer Goods: Non-Durable	22,796	9.7	23,852	11.5
Healthcare & Pharmaceuticals	22,396	9.6	30,263	14.6
Consumer Goods: Durable	18,979	8.1	23,301	11.3
Hotels, Gaming & Leisure	16,194	6.9	7,063	3.4
Construction & Building	12,447	5.3	964	0.4
Automotive	10,831	4.6	15,814	7.6
Media: Advertising, Printing & Publishing	10,392	4.4	17,336	8.4
Wholesale	8,437	3.6	—	—
Media: Diversified & Production	7,576	3.2	—	—
High Tech Industries	7,354	3.1	9,479	4.6
Banking, Finance, Insurance & Real Estate	6,568	2.8	7,428	3.6
Metals & Mining	6,378	2.7	—	—
Energy: Oil & Gas	4,707	2.0	4,875	2.4
Capital Equipment	4,308	1.8	4,487	2.2
Containers, Packaging & Glass	3,756	1.6	1,962	0.9
Services: Consumer	3,044	1.3	3,036	1.5
Beverage, Food & Tobacco	2,989	1.3	2,984	1.4
Telecommunications	—	—	3,714	1.8
Chemicals, Plastics & Rubber	—	—	996	0.5
Total	$ 234,893	100.0 %	$ 206,945	100.0 %

	September 30, 2014		December 31, 2013	
Fair Value:				
Services: Business	$ 35,638	15.2 %	$ 28,692	13.8 %
Retail	30,441	13.0	21,161	10.2
Healthcare & Pharmaceuticals	22,452	9.6	30,639	14.7
Consumer Goods: Non-Durable	22,204	9.5	23,404	11.3
Consumer Goods: Durable	19,303	8.2	23,805	11.4
Hotels, Gaming & Leisure	15,748	6.7	7,198	3.4
Construction & Building	12,513	5.3	1,012	0.5
Media: Advertising, Printing & Publishing	10,671	4.6	17,822	8.6
Wholesale	8,702	3.7	—	—
Automotive	8,514	3.6	15,100	7.2
Media: Diversified & Production	7,747	3.3	—	—
High Tech Industries	7,586	3.2	9,530	4.6
Metals & Mining	7,206	3.1	—	—
Banking, Finance, Insurance & Real Estate	6,690	2.9	7,566	3.6
Energy: Oil & Gas	4,841	2.1	4,875	2.3

Capital Equipment	4,274	1.8	4,271	2.1
Containers, Packaging & Glass	4,083	1.7	1,980	1.0
Services: Consumer	3,119	1.3	3,104	1.5
Beverage, Food & Tobacco	2,925	1.2	3,034	1.5
Telecommunications	—	—	3,714	1.8
Chemicals, Plastics & Rubber	—	—	1,013	0.5
Total	$ 234,657	100.0 %	$ 207,920	100.0 %

Note 4. Fair Value Measurements

Investments

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

ASC Topic 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

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

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

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

- the quarterly valuation process begins with each portfolio company or investment being initially evaluated and rated by the investment professionals of MC Advisors responsible for the portfolio investment;

- preliminary valuation conclusions are then documented and discussed with the investment committee of the Company;

- the Board also engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of investments for which market quotations are not readily available. The Company will consult with independent valuation firm(s) relative to each portfolio company at least once in every calendar year, and for new portfolio companies, at least once in the twelve-month period subsequent to the initial investment;

- the audit committee of the Board reviews the preliminary valuations of MC Advisors and of the independent valuation firm(s) and responds and supplements the valuation recommendations to reflect any comments; and

- the Board discusses these valuations and determines the fair value of each investment in the portfolio in good faith, based on the input of MC Advisors, the independent valuation firm(s) and the audit committee.

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

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

The accompanying consolidated schedules of investments held by the Company consist primarily of private debt instruments (“Level 3 debt”). Management generally uses the yield approach to determine fair value, as long as it is appropriate. If there is deterioration in credit quality or a debt investment is in workout status, the Company may consider other factors in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The Company considers its Level 3 debt to be performing loans if the borrower is not in default, the borrower is remitting payments in a timely manner; the loan is in covenant compliance or is otherwise not deemed to be impaired. In determining the fair value of the performing Level 3 debt, the Company considers fluctuations in current interest rates, the trends in yields of debt instruments with similar credit ratings, financial condition of the borrower, economic conditions and other relevant factors, both qualitative and quantitative. In the event that a Level 3 debt instrument is not performing, as defined above, the Company will evaluate the value of the collateral utilizing the same framework described above for a performing loan to determine the value of the Level 3 debt instrument.

Senior, unitranche and junior secured loans are collateralized by tangible and intangible assets of the borrowers. These investments include loans to entities that have some level of challenge in obtaining financing from other, more conventional institutions, such as a bank. Interest rates on these loans are either fixed or floating, and are based on current market conditions and credit ratings of the borrower. The contractual interest rates on the loans ranged from 4.65% to 15.00% at September 30, 2014 and 4.66% and 15.00% at December 31, 2013. The maturity dates on the loans outstanding at September 30, 2014 range between July 2016 and July 2021. Management evaluates the collectability of the loans on an ongoing basis based upon various factors including, but not limited to, the credit history of the borrower, its financial status and its available collateral.

Under the yield approach, the Company uses discounted cash flow models to determine the present value of the future cash flow streams of its debt investments, based on future interest and principal payments as set forth in the associated loan agreements. In determining fair value under the yield approach, the Company also considers the following factors: applicable market yields and leverage levels, credit quality, prepayment penalties, the nature and realizable value of any collateral, the portfolio company’s ability to make payments, and changes in the interest rate environment and the credit markets that generally may affect the price at which similar investments may be made. This evaluation will be updated quarterly for Level 3 debt instruments that are performing and are not performing, respectively, and more frequently for time periods where there are significant changes in the investor base or significant changes in the perceived value of the underlying collateral. The collateral value will be analyzed on an ongoing basis using internal metrics, appraisals, third-party valuation agents and other data as may be acquired and analyzed by the Company.

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

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

Secured Borrowings

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

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

Fair Value Disclosures

The following table presents fair value measurements of investments, by major class, as of September 30, 2014, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Senior secured loans	$ —	$ —	$137,812	$137,812
Unitranche loans	—	—	79,806	79,806
Junior secured loans	—	—	15,507	15,507
Equity securities	—	—	1,532	1,532
Total Assets	$ —	$ —	$ 234,657	$ 234,657
Secured borrowings	$ —	$ —	$ 5,906	$ 5,906

The following table presents fair value measurements of investments, by major class, as of December 31, 2013, according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Senior secured loans	$—	$ —	$88,963	$88,963
Unitranche loans	—	—	96,217	96,217
Junior secured loans	—	—	22,335	22,335
Equity securities	—	—	405	405
Total Assets	$—	$ —	$207,920	$207,920
Secured borrowings	$—	$ —	$7,943	$7,943

The following tables provide a reconciliation of the beginning and ending balances for investments and secured borrowings that use Level 3 inputs for the three and nine months ended September 30, 2014:

Investments				
Unitranche	Junior secured loans	**Equity**	**Total**	**Secured**

	Senior secured loans	**loans**		**securities**	**investments**	**borrowings**
Balance as of June 30, 2014	$121,127	$ 89,756	$ 25,417	$ 1,360	$ 237,660	$ 6,527
Reclassifications [1]	—	—	—	—	—	—
Net change in unrealized appreciation (depreciation) on investments	276	(961)	(114)	172	(627)	—
Net realized gain (loss) on investments	72	—	22	—	94	—
Purchases of investments and other adjustments to cost [2]	31,998	113	639	—	32,750	—
Proceeds from principal payments and sales on investments [3]	(15,661)	(9,102)	(10,457)	—	(35,220)	—
Net change in unrealized appreciation on secured borrowings	—	—	—	—	—	(96)
Proceeds from secured borrowings	—	—	—	—	—	—
Repayments on secured borrowings	—	—	—	—	—	(525)
Balance as of September 30, 2014	$137,812	$ 79,806	$ 15,507	$ 1,532	$ 234,657	$ 5,906

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	Investments					
	Senior secured loans	**Unitranche loans**	Junior secured loans	**Equity securities**	**Total investments**	**Secured borrowings**
Balance as of December 31, 2013	$ 88,963	$ 96,217	$ 22,335	$ 405	$ 207,920	$ 7,943
Reclassifications [1]	(2,276)	—	1,309	967	—	—
Net change in unrealized appreciation (depreciation) on investments	2,063	(3,352)	(81)	160	(1,210)	—
Net realized gains (loss) on investments	169	—	130	—	299	—
Purchases of investments and other adjustments to cost [2]	90,493	933	13,061	—	104,487	—
Proceeds from principal payments and sales on investments [3]	(41,600)	(13,992)	(21,247)	—	(76,839)	—
Net change in unrealized appreciation on secured borrowings	—	—	—	—	—	(164)
Proceeds from secured borrowings	—	—	—	—	—	—
Repayments on secured borrowings	—	—	—	—	—	(1,873)
Balance as of September 30, 2014	$ 137,812	$ 79,806	$ 15,507	$ 1,532	$ 234,657	$ 5,906

(1) Represents reclassifications due to restructuring of the investments in portfolio companies.

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

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

The following tables provide a reconciliation of the beginning and ending balances for investments and secured borrowings that use Level 3 inputs for the three and nine months ended September 30, 2013:

	Investments					
	Senior secured loans	**Unitranche loans**	**Junior secured loans**	**Equity securities**	**Total investments**	**Secured borrowings**
Balance as of June 30, 2013	$ 39,002	$ 89,935	$ 14,328	$ 399	$ 143,664	$ 9,436
Net change in unrealized appreciation (depreciation) on investments	(118)	(529)	(94)	—	(741)	—
Net realized gain (loss) on investments	133	14	76	—	223	—
Purchases of investments and other adjustments to cost [1]	38,562	365	10,671	3	49,601	—

Proceeds from principal payments and sales on investments [2]	(19,444)	(870)	(3,000)	—	(23,314)	—
Net change in unrealized appreciation on secured borrowings	—	—	—	—	—	(71)
Proceeds from secured borrowings	—	—	—	—	—	—
Repayments on secured borrowings	—	—	—	—	—	(716)
Balance as of September 30, 2013	$58,135	$ 88,915	$ 21,981	$ 402	$ 169,433	$ 8,649

	Investments					
	Senior secured loans	**Unitranche loans**	**Junior secured loans**	**Equity securities**	**Total investments**	**Secured borrowings**
Balance as of December 31, 2012	$45,332	$ 75,487	$ 11,662	$ 271	$ 132,752	$ —
Net change in unrealized appreciation (depreciation) on investments	94	1,105	130	40	1,369	—
Net realized gains (loss) on investments	162	118	89	—	369	—
Purchases of investments and other adjustments to cost [1]	40,056	19,199	13,638	131	73,024	—
Proceeds from principal payments and sales on investments [2]	(27,509)	(6.994)	(3,538)	(40)	(38,081)	—
Net change in unrealized appreciation on secured borrowings	—	—	—	—	—	(50)
Proceeds from secured borrowings	—	—	—	—	—	10,000
Repayments on secured borrowings	—	—	—	—	—	(1,301)
Balance as of September 30, 2013	$58,135	$ 88,915	$ 21,981	$ 402	$ 169,433	$ 8,649

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

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

The total change in unrealized appreciation (depreciation) included in the consolidated statements of operations within net change in unrealized appreciation (depreciation) on investments for the three and nine months ended September 30, 2014, attributable to Level 3 investments still held at September 30, 2014, was ($380) and ($755), respectively. The total change in unrealized appreciation (depreciation) included in the consolidated statements of operations within net change in unrealized appreciation (depreciation) on investments for the three and nine months ended September 30, 2013, attributable to Level 3 investments still held at September 30, 2013, was ($556) and $1,441, respectively. The total change in unrealized (appreciation) depreciation included in the consolidated statements of operations within net change in unrealized (appreciation) depreciation on secured borrowings for the three and nine months ended September 30, 2014, attributable to Level 3 investments still held at September 30, 2014, was $96 and $164 respectively. The total change in unrealized (appreciation) depreciation included in the consolidated statements of operations within net change in unrealized (appreciation) depreciation on secured borrowings for the three and nine months ended September 30, 2013, attributable to Level 3 investments still held at September 30, 2013, was $71 and $50, respectively. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of Level 3 as of the beginning of the period which the reclassifications occur. There were no transfers among Levels 1, 2 and 3 during the three and nine months ended September 30, 2014 and 2013.

Significant Unobservable Inputs

ASC Topic 820 requires disclosure of quantitative information about the significant unobservable inputs used in the valuation of assets and liabilities classified as Level 3 within the fair value hierarchy. Disclosure of this information is not required in circumstances where a valuation (unadjusted) is obtained from a third-party pricing service and the information regarding the unobservable inputs is not reasonably available to the Company and as such, the disclosures provided below exclude those investments valued in that manner. The tables below are not intended to be all-inclusive, but rather to provide information on significant unobservable inputs and valuation techniques used by the Company.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets and liabilities as of September 30, 2014 were as follows:

					Range	
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Mean**	**Minimum**	**Maximum**
Assets:						
Senior secured loans	$ 111,927	Discounted cash flow	EBITDA multiples	6.9 x	3.5 x	10.6 x
			Market yields	12.4 %	6.0 %	18.0 %
Senior secured loans	1,007	Enterprise value	Revenue multiples	0.5 x	0.4 x	0.5 x
Unitranche loans	74,130	Discounted cash flow	EDITDA multiples	7.0 x	3.5 x	10.0 x
			Market yields	13.6 %	9.7 %	20.2 %

Unitranche loans	5,676	Combination of discounted cash flow and enterprise value	EBITDA multiples	5.3	x	5.0	x	5.5	x
			Market yields	24.5	%	21.9	%	27.1	%
Junior secured loans	1,317	Enterprise value	Revenue multiples	0.5	x	0.4	x	0.5	x
Equity securities	1,532	Enterprise value	EBITDA multiples	6.7	x	3.5	x	10.0	x
Total Level 3 Assets	**$ 195,589** **(1)**								
Liabilities:									
Secured borrowings	$ 5,906	Discounted cash flow	Market yields	7.1	%	3.6	%	10.2	%

(1) Excludes loans of $39,068 fair value where valuation is obtained from a third-party pricing service for which such disclosure is not required.

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The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of December 31, 2013 were as follows:

	Fair Value	Valuation Technique	Unobservable Input	Mean	Range Minimum	Range Maximum
Assets:						
Senior secured loans	$ 43,066	Discounted cash flow	EBITDA multiples	7.7 x	5.0 x	10.5 x
			Market yields	10.2 %	6.2 %	14.3 %
Senior secured loans	2,572	Enterprise value	EBITDA multiples	6.6 x	6.2 x	6.9 x
Unitranche loans	96,217	Discounted cash flow	EBITDA multiples	7.3 x	3.5 x	12.3 x
			Market yields	13.3 %	8.8 %	21.6 %
Equity securities	405	Market comparable companies	EBITDA multiples	9.3 x	7.8 x	10.0 x
Total Level 3 Assets	**$ 142,260** (1)					
Liabilities:						
Secured borrowings	$ 7,943	Discounted cash flow	Market yields	4.4 %	3.3 %	6.2 %

(1) Excludes loans of $65,660 at fair value where valuation is obtained from a third-party pricing service for which such disclosure is not required.

The significant unobservable inputs used in the market approach of fair value measurement of our investments are the market multiples of EBITDA of the comparable guideline public companies. The independent valuation firm selects a population of public companies for each investment with similar operations and attributes of the portfolio company. Using these guideline public companies' data, a range of multiples of enterprise value to EBITDA is calculated. The Company selects percentages from the range of multiples for purposes of determining the portfolio company's estimated enterprise value based on said multiple and generally the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Significant increases (decreases) in the multiple will result in an increase (decrease) in enterprise value, resulting in an increase (decrease) in the fair value estimate of the investment.

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

Other Financial Assets and Liabilities

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments. Fair value of the Company’s revolving credit facility is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if applicable. The Company believes that the carrying value of its revolving credit facility approximates fair value.

Note 5. Transactions with Affiliated Companies

An affiliated company is a company in which the Company has an ownership of 5% or more of its voting securities. A controlled affiliate company is a company in which the Company has ownership of more than 25% of its voting securities. Transactions related to our investments with affiliates for the nine months ended September 30, 2014 were as follows:

Portfolio Company	Fair Value at December 31, 2013	Transfers in due to restructuring	Purchases (cost)	Sales and paydowns (cost)	PIK interest (cost)	Discount accretion	Net realized gains/(losses)	Net unrealized gains/(losses)	Fair Value at September 30, 2014	Interest Income	Dividend Income
Non-controlled affiliate company investments [1] :											
Rocket Dog Brands LLC [2]	$ -	$ 2,433	$ -	$ -	$ 31	$ -	$ -	$ (29)	$ 2,435	$ 124	$ -
Summit Container Corporation	-	-	3,900	(156)	-	13	-	327	4,084	346	-
Total non-controlled affiliate company investments	$ -	$ 2,433	$ 3,900	$ (156)	$ 31	$ 13	$ -	$ 298	$ 6,519	$ 470	$ -

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

(2) The Company's investment in Rocket Dog Brands LLC was restructured on May 2, 2014, resulting in the Company obtaining greater than 5% of the voting securities. For the purpose of this schedule, transfers in due to restructuring represents the fair value on the restructuring date and all activity presented is subsequent to the restructuring.

Note 6. Transactions with Related Parties

The Company has entered into the Investment Advisory and Management Agreement with MC Advisors, under which MC Advisors, subject to the overall supervision of the Board, provides investment advisory services to the Company. The Company pays MC Advisors a fee for its services under the Investment Advisory and Management Agreement consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at an annual rate equal to 1.75% of invested assets (calculated as total assets excluding cash) and is payable in arrears. Base management fees for the three and nine months ended September 30, 2014 were $1,058 and $3,041, respectively. Base management fees for the three and nine months ended September 30, 2013 were $702 and $1,907, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of “pre-incentive fee net investment income” for the immediately preceding quarter, subject to a 2% (8% annualized) preferred return, or “hurdle,” and a “catch up” feature. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of preincentive fee net investment income will be payable except to the extent that 20.0% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. Therefore, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (1) 20% of the amount by which preincentive fee net investment income for such calendar quarter exceeds the 2.0% hurdle, subject to the “catch-up” provision, and (2) (x) 20% of the cumulative net increase in net assets resulting from operations for the then current and 11 preceding calendar quarters minus (y) the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. For the foregoing purpose, the “cumulative net increase in net assets resulting from operations” is the sum of preincentive fee net investment income, realized gains and losses and unrealized appreciation and depreciation for the then current and 11 preceding calendar quarters. The second part of the incentive fee is determined and payable in arrears as of the end of each fiscal year in an amount equal to 20% of realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses on a cumulative basis and unrealized depreciation, less the aggregate amount of any previously paid capital gain incentive fees.

Incentive fees for the three and nine months ended September 30, 2014 were $849 and $2,433, respectively. Incentive fees for the three and nine months ended September 30, 2014, consisted of part one incentive fees (based on net investment income) of $932 and $2,577, respectively, reduced by the second part of the incentive fee (based upon net realized and unrealized gains and losses) of ($83) and ($144), respectively. Incentive fees for the three and nine months ended September 30, 2013 were $37 and $842, respectively. Of the $37 and $842 in accrued incentive fees for the three and nine months ended September 30, 2013, $37 and $358 related to the second part of the incentive fee (based upon net realized and unrealized gains and losses), respectively. The Company accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. If, on a cumulative basis, the sum of net realized gains (losses) plus net unrealized appreciation (depreciation) decreases during a period, the Company will reverse any excess capital gains incentive fee previously accrued such that the amount of capital gains incentive fee accrued is no more than 20% of the sum of net realized gains (losses) plus net unrealized appreciation (depreciation).

The Company has entered into the Administration Agreement with Monroe Capital Management Advisors, LLC, ("MC Management"), under which the Company reimburses MC Management (subject to the review and approval of the Board) for its allocable portion of overhead and other expenses, including the costs of furnishing the Company with office facilities and equipment and providing clerical, bookkeeping, record-keeping and other administrative services at such facilities, and the Company's allocable portion of the cost of the chief financial officer and chief compliance officer and their respective staffs. To the extent that MC Management outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis, without incremental profit to MC Management. Administrative expenses for the three and nine months ended September 30, 2013 were limited to the greater of (i) 0.375% of the Company's average invested assets for such quarter and (ii) $375 by the Administrative Agreement. For the three and nine months ended September 30, 2014, the Company incurred $851 and $2,120 in administrative expenses (included within Professional fees, Administrative service fees and General and administrative on the consolidated statements of operations) under the Administration Agreement, respectively, of which $250 and $668, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. For the three and nine months ended September 30, 2013, the Company incurred $601 and $1,635 in administrative expenses (included within Professional fees, Administrative service fees and General and administrative on the consolidated statements of operations) under the Administration Agreement, respectively, of which $103 and $418, respectively, was related to MC Management overhead and salary allocation and paid directly to MC Management. As of September 30, 2014 and December 31, 2013, $241 and $178 of expenses were due to MC Management under this agreement and are included in accounts payable and accrued expenses on the consolidated statements of assets and liabilities.

The Company has entered into a license agreement with Monroe Capital LLC under which Monroe Capital LLC has agreed to grant the Company a non-exclusive, royalty-free license to use the name “Monroe Capital” for specified purposes in its business. Under this agreement, the Company will have a right to use the “Monroe Capital” name at no cost, subject to certain conditions, for so long as the Advisor or one of its affiliates remains its investment advisor. Other than with respect to this limited license, the Company has no legal right to the “Monroe Capital” name.

As of September 30, 2014 and December 31, 2013, the Company had accounts payable to members of the Board of $35 and $72, respectively, representing accrued and unpaid compensation.

Note 7. Borrowings

Revolving Credit Facility: As of September 30, 2014 and December 31, 2013, the Company had $90,800 and $76,000 outstanding, respectively, under its revolving credit facility with ING Capital LLC, as agent, to finance the purchase of the Company’s assets. As of September 30, 2014, the maximum amount the Company was able to borrow under the revolving credit facility is $110,000 and this maximum borrowing can be increased to $200,000 pursuant to an accordion feature (subject to maintaining 200% asset coverage, as defined by the 1940 Act).

The revolving credit facility is secured by a lien on all of the Company’s assets, including cash on hand, but excluding the assets of the Company’s wholly-owned subsidiary, MRCC SBIC. The Company’s ability to borrow under the credit facility is subject to availability under a defined