

MONROE CAPITAL Corp  
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**PROSPECTUS SUPPLEMENT  
(To Prospectus dated May 9, 2014)**

**Monroe Capital Corporation**

**\$50,000,000**

**Common Stock**

We are a specialty finance company focused on providing financing 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 have entered into separate equity distribution agreements, each dated February 6, 2015, with MLV & Co. LLC and JMP Securities LLC, each a Sales Agent and, collectively, the Sales Agents, relating to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. The equity distribution agreements provide that we may offer and sell up to \$50,000,000 of our common stock from time to time through the Sales Agents in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on The Nasdaq Global Market or similar securities exchange or sales made to or through a market maker other than on an exchange, at prices related to the prevailing market prices or at negotiated prices. As of the date of this prospectus supplement, we have not sold any shares of our common stock under the equity distribution agreements.

Our common stock is listed on The Nasdaq Global Market under the symbol MRCC. On February 5, 2015, the last reported sale price of our stock on The Nasdaq Global Market was \$14.72 per share. Our net asset value as of September 30, 2014 was \$13.95 per share.

Under the terms of the equity distribution agreements, the Sales Agents will receive a commission from us of up to 2.0% of the gross sales price of any shares of our common stock sold through the Sales Agents under the equity distribution agreements. The Sales Agents are not required to sell any specific number or dollar amount of common stock, but will use their commercially reasonable efforts consistent with their sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. For all fees and expenses paid to the Sales Agents, see Plan of Distribution beginning on page S-35 of this prospectus supplement.

**Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering.** On June 27, 2014, our stockholders voted to allow us to issue common stock at a price below net asset value per share for a period of twelve months subject to certain conditions. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See Sale of Common Stock Below Net Asset Value in this prospectus supplement and Risk Factors and Sales of Common Stock Below Net Asset Value in the accompanying prospectus.

**An investment in our securities is subject to risks, including a risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. We are an emerging growth company under the federal securities laws and are subject to reduced public company reporting requirements. Substantially all of the debt instruments in which we invest (i) will have variable interest rate provisions that may make it more difficult for borrowers to make debt repayments to us in a rising interest rate environment and (ii) will likely have a principal amount outstanding at maturity, that may lead to a substantial loss to us if the borrower is unable to refinance or repay. See Risk Factors beginning on page 11 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our securities.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing. Please read it before you invest 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, or the SEC. This information is available free of charge 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](http://www.monroebdc.com). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains such information.

**Neither the Securities and Exchange Commission 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.**

MLV & Co.

JMP Securities

Prospectus supplement dated February 6, 2015

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TABLE OF CONTENTS

**TABLE OF CONTENTS**  
**PROSPECTUS SUPPLEMENT**

<u>SUMMARY</u>	<u>S-1</u>
<u>THE OFFERING</u>	<u>S-8</u>
<u>FEES AND EXPENSES</u>	<u>S-10</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>S-13</u>
<u>USE OF PROCEEDS</u>	<u>S-15</u>
<u>CAPITALIZATION</u>	<u>S-16</u>
<u>PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS</u>	<u>S-17</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>S-18</u>
<u>SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA</u>	<u>S-20</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>S-21</u>
<u>PLAN OF DISTRIBUTION</u>	<u>S-35</u>
<u>SALE OF COMMON STOCK BELOW NET ASSET VALUE</u>	<u>S-36</u>
<u>LEGAL MATTERS</u>	<u>S-37</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>S-37</u>
<u>AVAILABLE INFORMATION</u>	<u>S-37</u>
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>S-F-1</u>

**PROSPECTUS**

<u>ABOUT THIS PROSPECTUS</u>	<u>ii</u>
<u>SUMMARY</u>	<u>1</u>
<u>FEES AND EXPENSES</u>	<u>8</u>
<u>RISK FACTORS</u>	<u>11</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>40</u>
<u>USE OF PROCEEDS</u>	<u>41</u>
<u>DISTRIBUTIONS</u>	<u>42</u>
<u>PRICE RANGE OF COMMON STOCK</u>	<u>44</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>45</u>
<u>SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA</u>	<u>46</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>47</u>
<u>BUSINESS</u>	<u>61</u>
<u>PORTFOLIO COMPANIES</u>	<u>73</u>
<u>MANAGEMENT</u>	<u>77</u>
<u>MANAGEMENT AND OTHER AGREEMENTS</u>	<u>83</u>
<u>RELATED-PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS</u>	<u>91</u>
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	<u>94</u>
<u>DETERMINATION OF NET ASSET VALUE</u>	<u>95</u>
<u>SALES OF COMMON STOCK BELOW NET ASSET VALUE</u>	<u>96</u>



TABLE OF CONTENTS

<u>DIVIDEND REINVESTMENT PLAN</u>	<u>100</u>
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>102</u>
<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	<u>110</u>
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	<u>116</u>
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	<u>117</u>
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	<u>119</u>
<u>DESCRIPTION OF OUR WARRANTS</u>	<u>129</u>
<u>REGULATION</u>	<u>131</u>
<u>CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR</u>	<u>137</u>
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	<u>137</u>
<u>PLAN OF DISTRIBUTION</u>	<u>138</u>
<u>LEGAL MATTERS</u>	<u>140</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>140</u>
<u>AVAILABLE INFORMATION</u>	<u>140</u>
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>F-1</u>

S-ii

---

TABLE OF CONTENTS

## 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 common stock 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. For information about our common stock see "Description of Our Capital Stock" in the accompanying prospectus.

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 our common stock.

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and MLV & Co. and JMP Securities have not, 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. We are not, and MLV & Co. and JMP Securities are not, making an offer to sell these securities 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 securities. Our business, financial condition, results of operations and prospects may have changed since those dates.**

S-iii

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TABLE OF CONTENTS

## 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 our common stock. 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; MCC 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, unitranche and junior secured 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.

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.

## **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

S-1

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## TABLE OF CONTENTS

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 Fee for a discussion of the base management fee and incentive fee payable by us to MC Advisors. While not expected to review or approve each investment, our independent directors will 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 will consider whether our fees and expenses (including those related to leverage) remain appropriate.

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 20 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 September 30, 2014, Monroe Capital's investment professionals invested in over 550 loan and related investments with an aggregate principal value of over \$2.3 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 25 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 30 companies in the lower middle-market. Mr. Peck has more than 19 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 20 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 September 30, 2014, Monroe Capital had approximately \$1.8 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 135 current investments. From Monroe Capital's formation in 2004 through September 30, 2014, Monroe Capital's investment professionals invested in over 550 loans and related investments with an aggregate principal value of over \$2.3 billion. The senior investment team of Monroe Capital averages more than 20 years of experience and has developed a proven investment and portfolio management process that has performed through multiple market cycles.

In addition,

S-2

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## TABLE OF CONTENTS

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.

### **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. To achieve our investment objective, we utilize the following investment strategy:

**Attractive Current Yield.** 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 senior and unitranche secured debt will have an average maturity of three to five years and interest rates of 8% to 13%, and we expect our target 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), will typically receive upfront closing fees of 1% to 4% and may include payment-in-kind, or PIK, interest (interest that is not received in cash, but added to the principal balance of the loan). 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 by 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.

S-3

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## TABLE OF CONTENTS

***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, including rapid amortization and excess cash-flow recapture resulting in full repayment or a modest refinance. 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.

## **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 approximately 40 professionals, including six senior partners that average more than 20 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, Chief Investment Officer and Chief Compliance 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 September 30, 2014, Monroe Capital's investment professionals invested in more than 550 loan and related investments with an aggregate principal value of over \$2.3 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 1,600 investment opportunities during 2013. Monroe Capital's over 550 previously executed transactions, over 135 of which are with current borrowers, offer us another source of deal flow, as these debt investments reach maturity or seek refinancing. As of September 30, 2014, Monroe Capital had a pipeline of over 200 transactions for an aggregate potential deal volume of greater than \$4.0 billion for all funds under management. 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 sponsor, if any, or other lenders.

S-4

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## TABLE OF CONTENTS

***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 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.

## **Credit Facility**

We have a credit facility with ING Capital LLC, or the Lender, as agent, which currently consists of a revolving line of credit equal to \$110.0 million, which may be increased to up to \$200.0 million pursuant to an accordion feature.

We may make draws under the revolver from time-to-time through December 2016 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 19, 2017, 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. Substantially all of our assets are pledged as collateral under the revolving credit facility. The material terms of the credit facility are as follows:

total borrowing capacity currently equal to \$110.0 million and up to \$200.0 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 plus 3.25% per annum, with a further step-down to LIBOR plus 3.00% when equity capitalization exceeds \$175.0 million or (b) a fluctuating daily rate equal to 2.25% per annum plus the greater of the prime rate, the federal funds rate plus 0.5% or three-month LIBOR plus 1.0%; and customary financial covenants and negative covenants and events of default.

As of September 30, 2014, we had \$90.8 million outstanding under our revolving credit facility and availability of \$19.2 million.

## **MCC SBIC**

On February 28, 2014, our wholly-owned subsidiary, MCC 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. MCC SBIC commenced operations on September 16, 2013.

As of September 30, 2014, MCC SBIC had received a commitment letter from the SBA for SBA-guaranteed debentures of \$20.0 million and on October 20, 2014, received another commitment for an additional \$20.0 million in SBA-guaranteed debentures. As of September 30, 2014, MCC SBIC had \$13.7 million in SBA-guaranteed debentures outstanding.

We have received exemptive relief from the Securities and Exchange Commission 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 200% asset coverage ratio we are required to maintain under the 1940 Act.

## **Operating and Regulatory Structure**

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

S-5

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## TABLE OF CONTENTS

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. 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 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.

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 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 on co-investments with affiliates, MC Advisors has agreed to offer us the right to participate in all investment opportunities that it 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 various structures, including a closed-end fund, a small business investment company and two 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 and equity to lower middle-market companies. In addition, MC Advisors and/or its affiliates may manage other entities in the future with an investment strategy that has the same or similar focus as ours. To the extent 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) certain restrictions under the 1940 Act and rules thereunder regarding co-investments with affiliates, (b) the requirements of the Advisers

Act and (c) MC Advisors internal conflict of interest and allocation policies.

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. When we invest alongside such other

S-6

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## TABLE OF CONTENTS

accounts as permitted, such investments will be made consistent with 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. We and MC Advisors have received exemptive relief from the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by MC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors.

## **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](http://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](http://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.

## **Sale of Common Stock Below NAV**

We may offer, and have in the past offered, shares of our common stock at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders on June 27, 2014 and July 9, 2013. Our board of directors has in the past determined that it would be in our and our stockholders' best interests to issue shares of our common stock below net asset value. See "Sale of Common Stock Below Net Asset Value" in this prospectus supplement, "Risk Factors" on page 11 of the accompanying prospectus and "Sales of Common Stock Below Net Asset Value" on page 96 of the accompanying prospectus.

## Risk Factors

The value of our assets, as well as the market price of our shares will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. See **Risk Factors** beginning on page 11 of the accompanying prospectus for a more detailed discussion of the material risks you should carefully consider before deciding to invest in our common stock.

S-7

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TABLE OF CONTENTS

## THE OFFERING

### Common Stock Offered by Us

Shares of our common stock having an aggregate offering price of up to \$50,000,000.

### Manner of Offering

At the market offering that may be made from time to time through MLV & Co. LLC and JMP Securities LLC, each a Sales Agent and, collectively, the Sales Agents, using commercially reasonable efforts. See Plan of Distribution.

### Use of Proceeds

We intend to use the net proceeds of this offering to 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. Pending such investments, we intend to invest the net proceeds of this offering 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. See Use of Proceeds.

### Symbol on The Nasdaq Global Market

MRCC

### Distributions

To the extent we have income and cash available, we intend to make quarterly distributions to our stockholders. Our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

### Taxation

We have elected and intend to continue to qualify as a RIC under the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gain that we distribute to our stockholders. To obtain and maintain RIC tax status, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. Because most of our income will not be attributable to dividends, such income will not be taxable at more favorable rates for qualified dividend income. Distributions made to you will generally be taxed as ordinary income or as capital gains.

### Leverage

As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, increase the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. With certain limited exceptions, we are currently only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% immediately after such borrowing. In addition, the costs associated with our borrowings, if any, including any increase in the management fee payable to MC Advisors, will be borne by our common stockholders.

S-8

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TABLE OF CONTENTS

As of September 30, 2014, we had debt outstanding under the revolving loan portion of the credit facility of approximately \$90.8 million, SBA-guaranteed debentures outstanding of \$13.7 million and \$5.9 million of secured borrowings at fair value, which arose under the application of Accounting Standards Codification, or ASC, Topic 860 Transfer and Servicing, or ASC Topic 860, to partial loan sales during the quarter.

Trading

Shares of closed-end investment companies, including business development companies, frequently trade in the secondary market at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at, or below net asset value.

Sales of common stock below net asset value

Generally, the offering price per share of our common stock, exclusive of any underwriting commissions or discounts, may not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders and approval of our board of directors, including the approval of a majority of our independent directors, or (3) under such circumstances as the SEC may permit.

On June 27, 2014, 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 twelve months subject to approval by our board of directors. Sales or other issuances by us of our common stock at a discount from our net asset value pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

Risk Factors

An investment in our common stock is subject to risks. See Risk Factors beginning on page 11 of the accompanying prospectus to read about factors you should consider before deciding to invest in shares of our common stock.

S-9

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TABLE OF CONTENTS**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and actual amounts and percentages may vary. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying prospectus contain a reference to fees or expenses paid by you, us, the Company or Monroe Capital Corporation, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Monroe Capital Corporation.

Stockholder transaction expenses:		
Sales load (as a percentage of offering price)	2.00	% <sup>(1)</sup>
Offering expenses (as a percentage of offering price)	0.57	% <sup>(2)</sup>
Dividend reinvestment plan expenses		% <sup>(3)</sup>
Total stockholder transaction expenses (as a percentage of offering price)	2.57	%
Estimated annual expenses (as a percentage of net assets attributable to common stock):		
Base management fee	3.18	% <sup>(4)</sup>
Incentive fees payable under the Investment Advisory Agreement	2.55	% <sup>(5)</sup>
Interest payments on borrowed funds	3.31	% <sup>(6)</sup>
Other expenses (estimated)	2.56	% <sup>(7)</sup>
Total annual expenses (estimated)	11.60	% <sup>(8)</sup>

Represents the commission with respect to the shares of common stock being sold in this offering. There is no (1) guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately \$285,000.

(3) The expenses of the dividend reinvestment plan are included in other expenses. See Dividend Reinvestment Plan. Our base management fee is 1.75% of our total assets (which includes assets purchased with borrowed amounts but does not include cash and cash equivalents). For the purposes of this table, we have assumed that the base management fee will remain at 1.75% as set forth in the Investment Advisory Agreement. We may from time to time decide it is appropriate to change the terms of the Investment Advisory Agreement. Under the 1940 Act, any material change to the Investment Advisory Agreement generally must be submitted to our stockholders for approval. The base management fee percentage is calculated as a percentage of net assets attributable to common (4) stockholders, rather than total assets, including assets that have been funded with borrowed monies, because common stockholders bear all of this cost. The base management fee in the table above assumes the base management fee remains consistent with fees incurred for the three months ended September 30, 2014 of \$1.1 million, based on average total assets (excluding cash) for the period of \$239.9 million, as a percentage of our average net assets for the period of \$133.0 million. See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

Estimated assuming that annual incentive fees earned by MC Advisors remains consistent with the incentive fees (5) earned for the three months ended September 30, 2014 of \$0.8 million, as a percentage of our average net assets of \$133.0 million for the period.

The incentive fee consists of two parts:

The first part of the incentive fee, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2% quarterly (8% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any

calendar quarter, MC Advisors receives no incentive fee until our net investment income equals the hurdle rate of 2% but then receives, as a catch-up, 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, MC Advisors

S-10

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TABLE OF CONTENTS

will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply. The first component of the incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash. Since the hurdle rate is fixed, as interest rates rise, it will be easier for the MC Advisors to surpass the hurdle rate and receive an incentive fee based on net investment income. The foregoing incentive fee is subject to a total return requirement, which provides that no incentive fee in respect of our preincentive fee net investment income will be payable except to the extent that 20% of the cumulative net increase in net assets resulting from operations over the then current and 11 preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the 11 preceding calendar quarters. In other words, any ordinary income incentive fee that is payable in a calendar quarter will be limited to the lesser of (i) 20% of the amount by which our preincentive fee net investment income for such calendar quarter exceeds the 2.0% hurdle, subject to the catch-up provision, and (ii) (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 our preincentive fee net investment income, base management fees, 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, payable annually in arrears, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the fiscal year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses on a cumulative basis and unrealized capital depreciation, less the aggregate amount of any previously paid capital gain incentive fees. We will accrue (but not pay) an expense for potential payment of capital gain incentive fees with respect to any unrealized appreciation on our portfolio.

See Management and Other Agreements Investment Advisory Agreement in the accompanying prospectus.

We may borrow funds from time to time to make investments to the extent we determine that it is appropriate to do so. The costs associated with any outstanding borrowings are indirectly borne by our investors. The table assumes borrowings are consistent with the average borrowings for the three months ended September 30, 2014 of \$110.2 million, no preferred stock issued or outstanding and average net assets of \$133.0 million. For the three months ended September 30, 2014, we had interest expense of \$1.1 million. The weighted average interest rate of our (6) revolving credit facility (excluding debt issuance costs) was 3.5% and the weighted average interest rate on our SBA-guaranteed debentures (excluding debt issuance costs) was 1.11% during the three months ended September 30, 2014. The majority of the Company's SBA-guaranteed debentures were charged an interim rate of interest of 1.0% per annum for the period until their pooling date in late September 2014, resulting in a lower average interest rate on SBA-guaranteed debentures than can be expected in the future. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Includes our estimated overhead expenses, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by MC Management. The table above assumes other expenses remain consistent with those incurred during the three months ended September 30, 2014 and average net assets for the period of \$133.0 million.

(8) Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. We calculate the total annual expenses percentage as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been purchased with borrowed amounts. The terms of our indebtedness may be found in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Borrowings. If the total annual expenses percentage were calculated instead as a percentage of consolidated total assets, our total annual expenses would be 6.18% of consolidated total

assets. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of total assets after such borrowing. We have included our estimated leverage expenses (consistent with the assumptions in footnote (7)) for the twelve months following this offering in total annual expenses.

S-11

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TABLE OF CONTENTS**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents and that our annual operating expenses would remain at the levels set forth in the table above.

You would pay the following expenses on a \$1,000 investment	1 Year	3 Years	5 Years	10 Years
Assuming a 5% annual return (assumes no return from net realized capital gains or net unrealized capital appreciation)	\$ 116	\$ 297	\$ 478	\$ 931
Assuming a 5% annual return (assumes entire return is from realized capital gains and thus subject to the capital gains incentive fee)	\$ 126	\$ 329	\$ 534	\$ 1,057

This table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. The example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. As incentive fees vary based on the character of the 5% return, the example above provides (i) expenses assuming no return from capital gains (therefore not meeting the hurdle rate for the first part of the incentive fee) and (ii) expenses assuming the entire return is from realized capital gains (resulting in a capital gains incentive fee). For the three months ended September 30, 2014, none of our return was comprised of realized and unrealized capital gains. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if our board of directors authorizes and we declare a cash distribution, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See [Dividend Reinvestment Plan](#) for additional information regarding our dividend reinvestment plan.

**This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

TABLE OF CONTENTS

## **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, sees, estimates, would, should, targets, projects, and variations of these words and similar expressions are intended to 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 inexperience operating a business development company and RIC and the inexperience of MC Advisors managing a business development company and RIC;

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 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 MCC 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; and

general economic 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.

TABLE OF CONTENTS

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.

S-14

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TABLE OF CONTENTS

## **USE OF PROCEEDS**

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Global Market or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all \$50,000,000 of common stock offered under this prospectus supplement and the accompanying prospectus at a price of \$14.72 per share (the last reported sale price of our common stock on The Nasdaq Global Market on February 5, 2015), we estimate that the net proceeds of this offering would be approximately \$48.7 million, after deducting the estimated sales commission payable to the Sales Agents and our estimated offering expenses.

We intend to use all or substantially all of the net proceeds from the sale of our common stock to 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.

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 objectives 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.

Until such appropriate investment opportunities can be found, 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.

S-15

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TABLE OF CONTENTS**CAPITALIZATION**

The equity distribution agreements provide that we may offer and sell up to \$50,000,000 of our common stock from time to time through our Sales Agents for the offer and sale of such common stock. The table below assumes that we will sell all of the \$50,000,000 of our common stock at a price of \$14.72 per share (the last reported sale price of our common stock on The Nasdaq Global Market on February 5, 2015), but there is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than \$14.72, depending on the market price of our common stock at the time of any such sale. The following table sets forth our capitalization as of September 30, 2014:

on an actual basis; and

on an as adjusted basis giving effect to the transactions noted above and the assumed sale of \$50,000,000 of our common stock at a price of \$14.72 per share (the last reported sale price of our common stock on The Nasdaq Global Market on February 5, 2015) less commissions and expenses.

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 September 30, 2014	
	Actual	As Adjusted
	(Unaudited)	
	(in thousands, except per share data)	
Assets:		
Cash	\$ 14,497	\$ 63,212
Investments at fair value	234,657	234,657
Other assets	3,789	3,789
Total assets	\$252,943	\$ 301,658
Liabilities:		
Debt	\$ 104,450	\$ 104,450
Other liabilities	15,721	15,721
Total liabilities	120,171	120,171
Net Assets:		
Common stock, \$0.001 par value, 100,000 shares authorized, actual; 9,518 shares issued and outstanding, actual; 12,915 shares issued and outstanding, as adjusted	10	13
Capital in excess of par value	134,803	183,515
Accumulated distributions in excess of net investment income	(2,024 )	(2,024 )
Accumulated net realized gain (loss) on investments		
Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	(17 )	(17 )
Total net assets	132,772	181,487
Net asset value per share	\$13.95	\$ 14.05





TABLE OF CONTENTS

# PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock began trading on The Nasdaq Global Market under the ticker symbol MRCC on October 25, 2012. Prior to that date, there was no established trading market for our common stock. Our common stock has historically traded for an amount less than net asset value ( NAV ).

The following table sets forth the high and low sales prices of our common stock as reported on The Nasdaq Global Market, the sales price as a percentage of our NAV and the dividends declared by us for each fiscal quarter since our shares began trading on The Nasdaq Global Market.

	NAV <sup>(1)</sup>	Closing Sales Price High	Low	Premium (Discount) of High Sales Price to NAV <sup>(2)</sup>	Premium (Discount) of Low Sales Price to NAV <sup>(2)</sup>	Declared Distributions <sup>(3)</sup>
Year ended December 31, 2015						
First Quarter (through February 5, 2015)	(4)	\$ 14.84	\$ 13.91	(4)	(4)	
Year ended December 31, 2014						
Fourth Quarter	(4)	\$ 14.63	\$ 13.00	(4)	(4)	\$ 0.34 (5)
Third Quarter	\$ 13.95	\$ 14.00	\$ 13.26	0.4 %	(4.9 )%	\$ 0.34 (5)
Second Quarter	\$ 13.93	\$ 13.92	\$ 12.70	(0.1 )%	(8.8 )%	\$ 0.34 (5)
First Quarter	\$ 13.99	\$ 13.55	\$ 12.19	(3.1 )%	(12.9 )%	\$ 0.34 (5)
Year ended December 31, 2013						
Fourth Quarter	\$ 13.92	\$ 13.87	\$ 11.75	(0.4 )%	(15.6 )%	\$ 0.34 (6)
Third Quarter	\$ 14.01	\$ 14.99	\$ 12.95	7.0 %	(7.6 )%	\$ 0.34 (6)
Second Quarter	\$ 14.78	\$ 15.46	\$ 14.60	4.6 %	(1.2 )%	\$ 0.34 (6)
First Quarter	\$ 14.78	\$ 15.39	\$ 14.55	4.1 %	(1.6 )%	\$ 0.34 (6)
Year ended December 31, 2012						
Fourth Quarter <sup>(7)</sup>	\$ 14.54	\$ 15.30	\$ 14.59	5.2 %	0.3 %	\$ 0.34 (8)

NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per (1) share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

Represents the distribution declared in the specified quarter. We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, stockholders cash distributions will be (3) automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. See Dividend Reinvestment Plan in the accompanying prospectus.

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.

(4) NAV calculation is not yet available.

(5) There was no return of capital for tax purposes for the year ended December 31, 2014.

(6) Includes a return of capital for tax purposes of approximately \$0.21 per share for the year ended December 31, 2013.

(7) From October 24, 2012 (initial public offering) to December 31, 2012.

(8) Includes a return of capital for tax purposes of approximately \$0.20 per share for the year ended December 31, 2012.

S-17

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TABLE OF CONTENTS**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data as of and for the nine month period ended September 30, 2014 are derived from our unaudited financial statements for the period ended September 30, 2014 and included elsewhere in this prospectus supplement. 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 significant seasonal variations and are not indicative of the results of operations to be expected for a full year. The following selected consolidated financial data as of and for the years ended December 31, 2013, 2012 and for the period from February 9, 2011 (date of inception) to December 31, 2011 are derived from our financial statements that have been audited by McGladrey LLP, independent registered public accounting firm. The 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.

	As of and for the period ended September 30, 2014 <sup>(1)</sup>	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012 <sup>(2)</sup>	As of and for the period from February 9, 2011 (date of inception) to December 31, 2011 <sup>(2)</sup>
	(unaudited)			
	(dollars in thousands, except share and per share data)			
Statement of operations data:				
Total investment income	\$21,230	\$ 18,213	\$ 1,706	\$
Base management fees	(3,041 )	(2,752 )	(318 )	
Incentive fees	(2,433 )	(1,544 )	(6 )	
All other expenses	(5,302 )	(5,267 )	(592 )	
Net investment income	10,454	8,650	790	
Net realized gain (loss) on investments	299	247		
Net change in unrealized appreciation (depreciation) on investments and secured borrowings	(1,046 )	869	160	
Net increase (decrease) in net assets resulting from operations	\$9,707	\$ 9,766	\$ 950	\$
Per share data (basic and diluted)				
Net asset value	\$13.95	\$ 13.92	\$ 14.54	n/a
Net investment income	\$1.09	\$ 1.13	\$ 0.15	\$
Net realized gain (loss) on investments	0.03	0.03		
Net change in unrealized appreciation (depreciation) on investments and secured borrowings	(0.11 )	0.12	0.03	

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Net increase (decrease) in net assets resulting from operations	\$1.01	\$1.28	\$0.18	\$
Stockholder distributions net investment income	n/a	(3) \$(1.12 )	\$(0.14 )	
Stockholder distributions capital gains	n/a	(3) (0.03 )		
Stockholder distributions return of capital	n/a	(3) (0.21 )	(0.20 )	
Total stockholder distributions	\$(1.02 )	\$(1.36 )	\$(0.34 )	\$

S-18

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TABLE OF CONTENTS

	As of and for the period ended September 30, 2014 <sup>(1)</sup>	As of and for the year ended December 31, 2013	As of and for the year ended December 31, 2012 <sup>(2)</sup>	As of and for the period from February 9, 2011 (date of inception) to December 31, 2011 <sup>(2)</sup>
	(unaudited)			
	(dollars in thousands, except share and per share data)			
Balance sheet data at period end:				
Investments, at fair value	\$234,657	\$207,920	\$132,752	\$
Cash	14,497	14,603	4,060	10
Other assets	3,789	3,158	2,419	
Total assets	\$252,943	\$225,681	\$139,231	\$ 10
Total debt	\$104,450	\$83,943	\$55,000	\$
Other liabilities	15,721	3,646	597	
Total liabilities	120,171	87,589	55,597	
Total net assets	\$132,772	\$138,092	\$83,634	\$ 10
Other data:				
Weighted average annualized effective yield at period end <sup>(4)</sup>	11.3 %	10.7 %	11.3 %	n/a
Number of portfolio company investments at period end	40	42	28	n/a
Purchases of investments for the period	\$103,386	\$138,781	\$144,482	n/a
Principal payments and sales of investments for the period	\$76,839	\$65,165	\$11,898	n/a

(1) Statement of operations data is unaudited and represents activity for the nine months ended September 30, 2014.

(2) For historical periods prior to October 24, 2012, we had no operations and therefore information provided does not include financial results prior to October 24, 2012.

(3) We are unable to determine the tax nature of distributions to our stockholders until our financial results for the year ended December 31, 2014 are finalized.

(4) The weighted average annualized effective yield at period end is based upon the par value of our debt investments.  
n/a not applicable

TABLE OF CONTENTS**SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA**

The following table sets forth certain unaudited quarterly financial information for each quarter since we commenced operations ending with the quarter ended September 30, 2014. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	For the quarter ended		
	September 30, 2014	June 30, 2014	March 31, 2014
	(unaudited)		
	(dollars in thousands, except per share data)		
Total investment income	\$7,668	\$7,046	\$ 6,516
Net investment income	\$3,810	\$3,514	\$ 3,130
Net gain (loss) on investments and secured borrowings	\$(437 )	\$(848 )	\$ 538
Net increase in net assets resulting from operations	\$3,373	\$2,666	\$ 3,668
Net investment income per share basic and diluted	\$0.40	\$0.37	\$ 0.32
Net increase in net assets resulting from operations per share basic and diluted	\$0.35	\$0.28	\$ 0.38
Net asset value per share at period end	\$13.95	\$13.93	\$ 13.99

	For the quarter ended				
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012 <sup>(1)</sup>
	(unaudited)				
	(dollars in thousands, except per share data)				
Total investment income	\$6,395	\$4,347	\$3,752	\$3,719	\$ 1,706
Net investment income	\$3,184	\$2,413	\$1,550	\$1,503	\$ 790
Net gain (loss) on investments and secured borrowings	\$(672 )	\$(447 )	\$438	\$1,797	\$ 160
Net increase in net assets resulting from operations	\$2,512	\$1,966	\$1,988	\$3,300	\$ 950
Net investment income per share basic and diluted	\$0.32	\$0.27	\$0.27	\$0.26	\$ 0.18
Net increase in net assets resulting from operations per share basic and diluted	\$0.25	\$0.22	\$0.34	\$0.57	\$ 0.15
Net asset value per share at period end	\$13.92	\$14.01	\$14.78	\$14.78	\$ 14.54

(1) We had no substantive operations prior to October 24, 2012, the date of our initial public offering.



TABLE OF CONTENTS

# 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 financial statements and related notes appearing in our annual report on Form 10-K (the Annual Report ) for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission ( SEC ) on March 7, 2014. 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 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. We provide customized financing solutions focused primarily on 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, including equity co-investments in preferred and common stock, and warrants.

Our shares are currently listed on the NASDAQ Global 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 and junior secured debt and, to a lesser extent, unsecured 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. Our investments in senior, unitranche, junior secured debt and other investments generally will range between \$2 million and \$15 million each, although this investment size may vary proportionately with the size of our capital base. As of September 30, 2014, our portfolio included approximately 58.7% senior secured debt, 34.0% unitranche secured debt, 6.6% junior secured debt and 0.7% 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 Company Act of 1958. MRCC SBIC commenced operations on September 16, 2013. MRCC SBIC has received a commitment letter from the SBA for SBA-guaranteed debentures of \$20.0 million and on October 20, 2014 received another commitment for an additional \$20.0 million. As of September 30, 2014, MRCC SBIC had \$20.0 million in regulatory and leveragable capital and \$13.7 million in SBA-guaranteed debentures outstanding. See *SBA Debentures* below for more information.

S-21

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## TABLE OF CONTENTS

### **Investment income**

We generate interest income on the debt investments in portfolio companies 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 of 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. Interest and dividend income is recorded on the accrual basis to the extent we expect to collect such amounts.

### **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 and our secured borrowings. We bear all other out-of-pocket costs and expenses of our operations and transactions.

### **Net gain (loss) on investments and secured borrowings**

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 or derivative instrument without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments and secured borrowings within net change in unrealized appreciation (depreciation) on investments and net change in unrealized (appreciation) depreciation on secured borrowings, respectively, in the consolidated statements of operations.

### **Portfolio and Investment Activity**

During the three months ended September 30, 2014, we invested \$24.2 million in five new portfolio companies and \$8.1 million in five existing portfolio companies and had \$35.2 million in aggregate amount of sales and principal repayments, resulting in net repayments of \$2.9 million for the period.

During the nine months ended September 30, 2014, we invested \$90.6 million in nineteen new portfolio companies and \$12.8 million in eight existing portfolio companies and had \$76.8 million in aggregate amount of sales and principal repayments, resulting in net investments of \$26.6 million for the period.

During the three months ended September 30, 2013, we invested \$46.5 million in fourteen new portfolio companies and \$3.0 million in six existing portfolio companies and had \$23.3 million in aggregate amount of sales and principal repayments, resulting in net investments of \$26.2 million for the period.

During the nine months ended September 30, 2013, we invested \$69.1 million in twenty one new portfolio companies

and \$3.7 million in seven existing portfolio companies and had \$38.1 million in aggregate amount of sales and principal repayments, resulting in net investments of \$34.7 million for the period.

S-22

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TABLE OF CONTENTS

The following table shows the composition of the investment portfolio (in thousands) and associated yield data:

	September 30, 2014			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual Coupon Yield <sup>(1)</sup>	Weighted Average Annualized Effective Yield <sup>(1)</sup>
Senior secured loans	\$ 137,812	58.7 %	11.1 %	11.1 %
Unitranche loans	79,806	34.0	10.5	11.9
Junior secured loans	15,507	6.6	10.5	10.5
Equity securities	1,532	0.7	n/a	n/a
Total	\$ 234,657	100.0 %	10.8 %	11.3 %

	December 31, 2013			
	Fair Value	Percentage of Total Portfolio	Weighted Average Annualized Contractual Coupon Yield <sup>(1)</sup>	Weighted Average Annualized Effective Yield <sup>(1)</sup>
Senior secured loans	\$ 88,963	42.8 %	9.8 %	9.8 %
Unitranche loans	96,217	46.3	10.2	11.8
Junior secured loans	22,335	10.7	9.4	9.4
Equity securities	405	0.2	n/a	n/a
Total	\$ 207,920	100.0 %	9.9 %	10.7 %

(1) Based upon the par value of our debt investments.  
n/a not applicable

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

	September 30, 2014		December 31, 2013	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
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

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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 %

S-23

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TABLE OF CONTENTS**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. MC Advisors monitoring process and projections developed by Monroe Capital LLC 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 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 ( Board ) reviews and affirms such ratings.

**Rating Definition**

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 nine 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 ratings do not constitute any ratings of investments by a nationally recognized statistical rating organization or reflect 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

S-24

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TABLE OF CONTENTS

with oversight of the sale process by us. Several of Monroe Capital LLC's professionals are experienced in running work-out transactions and bankruptcies.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of September 30, 2014 (dollars in thousands):

Investment Performance Rating	Investments at Fair Value	Percentage of Total Investments
1	\$	%
2	199,476	85.0
3	35,181	15.0
4		
5		
Total	\$ 234,657	100.0 %

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale as of December 31, 2013 (dollars in thousands):

Investment Performance Rating	Investments at Fair Value	Percentage of Total Investments
1	\$	%
2	189,899	91.3
3	18,021	8.7
4		
5		
Total	\$ 207,920	100.0 %

## Results of Operations

Operating results are as follows (dollars in thousands):

	Three months ended	
	September 30, 2014	2013
Total investment income	\$7,668	\$ 4,347
Total expenses	3,858	1,934
Net investment income	3,810	2,413
Net realized gain (loss) on investments	94	223
Net change in unrealized appreciation (depreciation) on investments	(627 )	(741 )
Net change in unrealized (appreciation) depreciation on secured borrowings	96	71
Net increase (decrease) in net assets resulting from operations	\$3,373	\$ 1,966



	Nine months ended September 30,	
	2014	2013
Total investment income	\$21,230	\$ 11,818
Total expenses	10,776	6,352
Net investment income	10,454	5,466
Net realized gain (loss) on investments	299	369
Net change in unrealized appreciation (depreciation) on investments	(1,210 )	1,369
Net change in unrealized (appreciation) depreciation on secured borrowings	164	50
Net increase (decrease) in net assets resulting from operations	\$9,707	\$ 7,254

S-25

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TABLE OF CONTENTS**Investment Income**

For the three and nine months ended September 30, 2014, total investment income was \$7.7 million and \$21.2 million, of which \$6.9 million and \$19.4 million was attributable to portfolio interest and \$0.8 and \$1.9 million to other income (including amortization of discounts and origination fees, paydown gains (losses), and dividend income), respectively. For the three and nine months ended September 30, 2013, total investment income was \$4.3 million and \$11.8 million, of which \$4.3 million and \$11.7 million was attributable to portfolio interest and \$31,195 and \$127,304 to other income (including amortization of discounts and origination fees, paydown gains (losses), and dividend income), respectively.

**Operating Expenses**

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

	Three months ended September 30,	
	2014	2013
Interest and other debt financing expenses	\$ 1,100	\$ 594
Base management fees	1,058	702
Incentive fees	849	37
Other expenses	851	601
Total operating expenses	\$ 3,858	\$ 1,934

	Nine months ended September 30,	
	2014	2013
Interest and other debt financing expenses	\$ 3,182	\$ 1,968
Base management fees	3,041	1,907
Incentive fees	2,433	842
Other expenses	2,120	1,635
Total operating expenses	\$ 10,776	\$ 6,352

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

	Three months ended September 30,	
	2014	2013
Interest expense credit facility	\$ 814	\$ 364
Amortization of deferred financing costs	149	116
Interest expense secured borrowings	86	99
Interest expense SBA debentures	35	
Other	16	15
Total interest and other debt financing expenses	\$ 1,100	\$ 594

	Nine months ended September 30,	
	2014	2013
Interest expense credit facility	\$ 2,391	\$ 1,314
Amortization of deferred financing costs	418	345
Interest expense secured borrowings	296	283
Interest expense SBA debentures	38	
Other	39	26
Total interest and other debt financing expenses	\$ 3,182	\$ 1,968

S-26

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TABLE OF CONTENTS

**Net Realized Gain (Loss) on Investments**

Sales and principal repayments totaled \$35.2 million and \$76.8 million for the three and nine months ended September 30, 2014, resulting in \$0.1 million and \$0.3 million of realized gains, respectively. Sales and principal repayments totaled \$23.3 million and \$38.1 million for the three and nine months ended September 30, 2013, resulting in \$0.2 million and \$0.4 million of realized gains, respectively.

**Net Change in Unrealized Appreciation (Depreciation) on Investments and Secured Borrowings**

For the three and nine months ended September 30, 2014, our investments had (\$0.6) million and (\$1.2) million of net unrealized appreciation (depreciation), respectively. For the three and nine months ended September 30, 2014, our secured borrowings had \$0.1 million and \$0.2 million of net unrealized (appreciation) depreciation, respectively.

For the three and nine months ended September 30, 2013, our investments had \$(0.7) million and \$1.4 million of net unrealized appreciation (depreciation), respectively. For the three and nine months ended September 30, 2013, our secured borrowings had \$0.1 million and \$0.1 million of net unrealized (appreciation) depreciation, respectively.

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

For the three and nine months ended September 30, 2014, we recorded a net increase in net assets resulting from operations of \$3.4 million and \$9.7 million, respectively. Based on the weighted average shares of common stock outstanding for the three and nine months ended September 30, 2014, our per share net increase in net assets resulting from operations was \$0.35 and \$1.01, respectively.

For the three and nine months ended September 30, 2013, we recorded a net increase in net assets resulting from operations of \$2.0 million and \$7.3 million, respectively. Based on the weighted average shares of common stock outstanding for the three and nine months ended September 30, 2013, our per share net increase in net assets resulting from operations was \$0.22 and \$1.06, respectively.

**Liquidity and Capital Resources**

As of September 30, 2014, we had \$14.5 million in cash, \$90.8 million of total debt outstanding on our revolving credit facility and \$13.7 million in outstanding SBA debentures. We had \$19.2 million available for additional borrowings on our revolving credit facility and \$6.3 million in available SBA debentures. See *Borrowings Credit Facility* for additional information.

**Cash Flows**

For the nine months ended September 30, 2014, we experienced a net decrease in cash of (\$0.1) million. During the same period we used \$10.5 million in operating activities, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. During the same period, we generated \$10.4 million from financing activities, principally from net borrowings on our revolving credit facility and SBA debenture borrowings, partially offset by distributions to stockholders and repurchases of our common stock.

For the nine months ended September 30, 2013, we experienced a net increase in cash of \$27.7 million. During the same period we used \$28.5 million in operating activities, primarily as a result of purchases of portfolio investments, partially offset by sales of and principal repayments on portfolio investments. During the same period, we generated \$56.2 million from financing activities, principally from our secondary offering during the three months ended September 30, 2013 and increases in secured borrowings, partially offset by distributions to stockholders and net repayments on our revolving credit facility.

## **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

S-27

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## TABLE OF CONTENTS

will be to invest in portfolio companies and make cash distributions to our stockholders. Additionally, we may continue to opportunistically repurchase our own shares below our net asset value ( NAV ) in accordance with our share repurchase plan discussed in further detail below within *Share Repurchase Plan* .

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 approve such sale. On June 27, 2014, 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 September 30, 2014 and December 31, 2013, we had 9,517,910 and 9,918,269 shares outstanding, respectively.

## **Borrowings**

*Revolving Credit Facility:* As of September 30, 2014 and December 31, 2013, we had \$90.8 million and \$76.0 million outstanding, respectively, under our revolving credit facility with ING Capital LLC, as agent, to finance the purchase of our assets. As of September 30, 2014, the maximum amount we are able to borrow under the revolving credit facility is \$110.0 million and this maximum borrowing can be increased to \$200.0 million 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 our assets, including cash on hand, but excluding the assets of our wholly-owned subsidiary, MRCC SBIC. Our ability to borrow under the credit facility is subject to availability under a defined borrowing base, which varies based on our 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 2016 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 plus 3.25% or at a daily rate equal to 2.25% per annum plus the greater of the prime interest rate, the federal funds rate plus 0.5% or LIBOR (one-month, two-month, three-month or six-month at our discretion based on the term of the borrowing) 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 50% 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 50% of the then available maximum borrowing. The weighted average interest rate of the revolving credit facility borrowings (excluding debt issuance costs) for the three and nine months ended September 30, 2014 was 3.5% and 3.5%, respectively. As of September 30, 2014, \$81.3 million of outstanding borrowings were accruing at an interest rate of 3.44% (based on one-month LIBOR) and \$9.5 million of outstanding borrowings were accruing at an interest rate of 5.50% (based on the Prime rate). The weighted average fee rate on the Company's unused portion of the revolving credit facility for the three and nine months ended September 30, 2014 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 nine months ended September 30, 2013 was 4.2% and 4.1%, respectively. The weighted average fee rate on the Company's unused portion of the revolving credit facility for the three and nine months ended September 30, 2013 was 0.9% and 0.7%, respectively.

Our ability to borrow under the revolving credit facility is subject to availability under our 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 revolving credit facility. Our revolving credit facility contains certain financial and restrictive covenants, including, but not limited to, the maintenance of: (1) a minimum consolidated net worth at least equal to the greater of (a) 55% of our assets on the last day of each quarter (excluding from such calculation the portion of assets of MRCC SBIC financed with SBA debentures) or (b) 80% of the net proceeds to us from our initial offering plus 50% of the net proceeds of the sales of our securities after the effectiveness of the revolving credit facility; (2) a ratio of our total assets (less total

S-28

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## TABLE OF CONTENTS

liabilities other than indebtedness) to total indebtedness of not less than 2.15 times; and (3) a ratio of our earnings before interest and taxes to our 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 revolving 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 our financial and negative covenants, and failure to maintain our relationship with MC Advisors. If we incur an event of default under our revolving credit facility and fail to remedy such default under any applicable grace period, if any, then our 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.

Our credit facility, as amended, imposes certain conditions that may limit the amount of our distributions to stockholders. Distributions payable in our common stock under our dividend reinvestment plan are not limited by the credit facility. Distributions in cash or property other than our common stock are generally limited to 110% (125% in certain instances) of the amount of distributions required to maintain our status as a RIC.

*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 Company 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. As of September 30, 2014, MRCC SBIC had received a commitment letter from the SBA for SBA-guaranteed debentures of \$20.0 million and on October 20, 2014, received another commitment letter for an additional \$20.0 million in SBA-guaranteed debentures. The \$13.0 million in SBA-guaranteed debentures outstanding which have already pooled mature in September 2024 and bear interest at a fixed rate of 3.37% per annum and the \$0.7 million in SBA-guaranteed debentures outstanding which have not already pooled mature in March 2025 and bear interest at an interim rate of 1.0% until the March 2015 pooling date.

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 limits a related group of SBICs to a maximum of \$225.0 million in total borrowings. As we have other affiliated SBICs already in operation, it is expected that MRCC SBIC is currently limited to a maximum of \$40.0 million in borrowings.

On October 15, 2014, we received exemptive relief from the SEC to permit us to exclude the debt of MRCC SBIC guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. The exemptive relief provides us with increased flexibility under the 200% asset coverage test by permitting us to borrow, through MRCC SBIC, more than we would otherwise be able to absent the receipt of this exemptive relief.

*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 our accompanying consolidated statements of assets and liabilities and we recorded the portion sold as a secured borrowing in the liabilities section of our consolidated statements of assets and liabilities. For these partial loan sales, we record the interest earned on the entire loan

S-29

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## TABLE OF CONTENTS

balance 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 our accompanying consolidated statements of operations.

As of September 30, 2014, secured borrowings at fair value totaled \$5.9 million and the fair value of the loans that are associated with these secured borrowings was \$19.3 million. As of December 31, 2013, secured borrowings at fair value totaled \$7.9 million and the fair value of the loans that are associated with these secured borrowings was \$22.7 million. These secured borrowings were created as a result of the completion of partial loan sales of three unitranche loan assets totaling \$10.0 million during the three months ended March 31, 2013, that did not meet the definition of a participating interest. As a result, sale treatment was not allowed and we treated these partial loan sales as secured borrowings. No such partial loan sales occurred during the nine months ended September 30, 2014. During the three and nine months ended September 30, 2014, repayments on secured borrowings totaled \$0.5 million and \$1.9 million, respectively. During the three and nine months ended September 30, 2013, repayments on secured borrowings totaled \$0.7 million and \$1.3 million, respectively. The weighted average interest rate on our secured borrowings was approximately 5.1% and 4.3% as of September 30, 2014 and December 31, 2013, respectively.

## **Share Repurchase Plan**

On November 11, 2013, our Board approved a share repurchase plan (the Plan) under which up to \$7.5 million of our outstanding common stock may be acquired in the open market at prices below our NAV as reported in our 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. Our Board has authorized the repurchase plan because it believes that our common stock may be undervalued from time to time. We have no obligation to repurchase shares, and we may discontinue purchases at any time that management determines additional purchases are not warranted.

During the three and nine months ended September 30, 2014, we repurchased 40,882 and 400,359 shares of common stock in open market transactions for an aggregate cost (including transaction costs) of \$0.6 million and \$5.2 million, respectively. Since the approval of the Plan, we have repurchased 485,162 shares of common stock in open market transactions for an aggregate cost (including transaction costs) of \$6.3 million.

## **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 nine months ended September 30, 2014 totaled \$3.2 million (\$0.34 per share) and \$9.8 million (\$1.02 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 September 30, 2014, no portion of distributions would have been characterized as a tax return of capital to stockholders.

## 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.

S-30

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## TABLE OF CONTENTS

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.

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, Chief Investment Officer and Chief Compliance 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 our Advisor's 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.

## **Commitment and Contingencies and Off-Balance Sheet Arrangements**

### **Commitments and Contingencies**

As of September 30, 2014 and December 31, 2013, we had \$13.7 million and \$1.6 million in outstanding commitments to fund investments under undrawn revolvers and delayed draw commitments. 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 United States with annual revenues between \$10 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 LLC, 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

S-31

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## TABLE OF CONTENTS

companies and therefore drive increased new investment opportunities for us. Conversely, there is increased competitive pressure in the business development company 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 business development company 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.

## **Significant Accounting Estimates and Critical Accounting Policies**

### **Revenue Recognition**

We record interest 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 is 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.

### **Valuation of Portfolio Investments**

As a business development company, 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 ( 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 will be 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. With respect to unquoted or thinly-traded securities, our Board, together with our independent valuation firms, value each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors.

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.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our Board uses the pricing indicated by the external event to corroborate and/or assist us in our valuation. 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.

S-32

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## TABLE OF CONTENTS

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 of MC Advisors responsible for the portfolio investment; preliminary valuation conclusions are then documented and discussed with the investment committee; the Board also engages one or more independent valuation firm(s) to conduct independent appraisals of a selection of our investments for which market quotations are not readily available. We 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 our portfolio in good faith, based on the input of MC Advisors, the independent valuation firm(s) and the audit committee.

### **Valuation of Secured Borrowings**

We have elected the fair value option under ASC Topic 825 *Financial Instruments*, relating to accounting for debt obligations at their fair value for our secured borrowings, which arose due to partial loan sales which did not meet the criteria for sale treatment under ASC Topic 860. 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. We will consult with an independent valuation firm relative to the fair value of its secured borrowings at least once in every calendar year.

### **Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation**

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 appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized. 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 (appreciation) depreciation on secured borrowings in the consolidated statements of operations.

### **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). Such fee will equal 20.0% 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.





## TABLE OF CONTENTS

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 nine months ended September 30, 2014, we had a reduction in accrued capital gains incentive fees of \$83 thousand and \$144 thousand, respectively, primarily as a result of declines in certain portfolio valuations, of which only \$19 thousand and \$60 thousand, respectively, was related to realized capital gains and was therefore payable to MC Advisors. During the three and nine months ended September 30, 2013, we accrued capital gains incentive fees of \$37 thousand and \$0.4 million, respectively, based on the performance of our portfolio, none of which were payable to MC Advisors.

### **New 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 our 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 us on January 1, 2014 and did not have a material impact on our consolidated financial position or disclosures.

S-34

---

TABLE OF CONTENTS

## **PLAN OF DISTRIBUTION**

We have entered into separate equity distribution agreements, each dated February 6, 2015, with each of MLV & Co. LLC and JMP Securities LLC, under which each will act as our sales agent in connection with the offer and sale of shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Upon written instructions from us, a Sales Agent will use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, our common stock under the terms and subject to the conditions set forth in the respective equity distribution agreement. We will instruct the Sales Agent as to the amount of common stock to be sold by it. We may instruct the Sales Agent not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less the Sales Agent's commission, may be less than the net asset value per share of our common stock at the time of such sale. We or the Sales Agent may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in negotiated transactions or transactions that are deemed to be at the market, as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Global Market or similar securities exchange or sales made to or through a market maker other than on an exchange at prices related to the prevailing market prices or at negotiated prices.

The Sales Agent will provide written confirmation of a sale to us no later than the opening of the trading day on The Nasdaq Global Market following each trading day in which shares of our common stock are sold under the equity distribution agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to the Sales Agent in connection with the sales.

Under the terms of the equity distribution agreements, MLV & Co. LLC and JMP Securities LLC will be entitled to compensation of up to 2.0% of the gross sales price of shares of our common stock sold through them as sales agents. We estimate that the total expenses for the offering, excluding compensation payable to the Sales Agents under the terms of each equity distribution agreement, will be approximately \$285,000 (including up to an aggregate of \$25,000 in reimbursement of the Sales Agents' counsel fees).

Settlement for sales of shares of common stock will occur on the third trading day following the date on which such sales are made, or on some other date that is agreed upon by us and the Sales Agent in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will report at least quarterly the number of shares of our common stock sold through the Sales Agents under the equity distribution agreements and the net proceeds to us.

In connection with the sale of the common stock on our behalf, the Sales Agents may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of the Sales Agents may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to the Sales Agents with respect to certain civil liabilities, including liabilities under the Securities Act.

The offering of our shares of common stock pursuant to the equity distribution agreement will terminate upon the earlier of (i) the sale of all common stock subject to the equity distribution agreement or (ii) the termination of the equity distribution agreements as permitted therein.

The principal business address of MLV & Co. LLC is 1251 Avenue of the Americas, 41st Floor, New York, NY 10020. The principal business address of JMP Securities LLC is 600 Montgomery Street, San Francisco, CA 94111.

S-35

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TABLE OF CONTENTS

## **SALE OF COMMON STOCK BELOW NET ASSET VALUE**

On June 27, 2014, our stockholders authorized us, subject to the approval of our board of directors and certain limitations set forth below, to sell or otherwise issue shares of our common stock at a discount from net asset value per share for a period of twelve months. In order to sell shares pursuant to this authorization a majority of our directors who have no financial interest in the sale or issuance and a majority of our independent directors must (a) find that the sale or issuance is in our best interests and in the best interest of our stockholders, and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold or otherwise issued is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount. Any offering of common stock below net asset value per share will be designed to raise capital for investment in accordance with our investment objective. For additional information, see *Sales of Common Stock Below Net Asset Value* in the accompanying prospectus.

Our net asset value per share as of September 30, 2014 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$13.95.

In making a determination that this offering of common stock below its net asset value per share is in our and our stockholders' best interests, our board of directors considered a variety of factors including:

The effect that an offering below net asset value per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined net asset value per share;

The relationship of recent market prices of our common stock to net asset value per share and the potential impact of the offering on the market price per share of our common stock;

Whether the estimated offering price would closely approximate the market value of our shares;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

The anticipated rate of return on and quality, type and availability of investments; and

The leverage available to us.

Our board of directors also considered the fact that sales of shares of common stock at a discount will benefit MC Advisors, as MC Advisors will earn additional investment management fees on the proceeds of such offering, as it would from the offering of any of our securities or from the offering of common stock at a premium to net asset value per share.

Sales by us of our common stock at a discount from net asset value per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below net asset value per share will result in an immediate dilution to many of our existing common stockholders even if they participate in such sale. See *Risk Factors*. If we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material in the accompanying prospectus.



TABLE OF CONTENTS

## LEGAL MATTERS

Certain legal matters regarding the shares of common stock 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 LeClairRyan, A Professional Corporation, New York, NY.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements and related senior securities table appearing in this prospectus and registration statement have been audited by McGladrey 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 shares of common stock offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and the shares of common stock 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, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at [www.monroebdc.com](http://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](http://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](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

S-37

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TABLE OF CONTENTS

# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS

<u>Consolidated Statements of Assets and Liabilities as of September 30, 2014 (unaudited) and December 31, 2013</u>	<u>S-F-2</u>
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2014 (unaudited) and 2013 (unaudited)</u>	<u>S-F-3</u>
<u>Consolidated Statements of Changes in Net Assets for the nine months ended September 30, 2014 (unaudited) and 2013 (unaudited)</u>	<u>S-F-4</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 (unaudited) and 2013 (unaudited)</u>	<u>S-F-5</u>
<u>Consolidated Schedules of Investments as of September 30, 2014 (unaudited) and December 31, 2013</u>	<u>S-F-6</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>S-F-13</u>

S-F-1

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES****(in thousands, except per share data)**

	September 30, 2014 (unaudited)	December 31, 2013
<b>ASSETS</b>		
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
<b>LIABILITIES</b>		
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)		
<b>ANALYSIS OF NET ASSETS</b>		
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

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Total net assets	\$ 132,772	\$ 138,092
Net asset value per share	\$ 13.95	\$ 13.92

See Notes to Consolidated Financial Statements.

S-F-2

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TABLE OF CONTENTS

**MONROE CAPITAL CORPORATION**

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	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
	9,527	8,922	9,623	6,824

Weighted average common shares outstanding basic and  
diluted

See Notes to Consolidated Financial Statements.

S-F-3

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TABLE OF CONTENTS**MONROE CAPITAL CORPORATION****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(unaudited)****(in thousands, except per share data)**

	Common Stock		Capital in excess of par value	Accumulated distribution in excess of net investment income	Accumulated net realized gain (loss) on investments	Accumulated net unrealized appreciation (depreciation) on investments and secured borrowings	Total net assets
	Number of shares	Par value					
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 <sup>(1)</sup>	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)
Balances at September 30, 2014	9,518	\$10	\$134,803	\$(2,024)	\$	\$(17)	\$132,772

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.



TABLE OF CONTENTS**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

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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.

S-F-5

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TABLE OF CONTENTS

**MONROE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**(unaudited)**

**September 30, 2014**  
**(in thousands, except for units)**