

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number	Exact name of registrant as specified in its charter, addresses of principal executive offices, telephone numbers and states or other jurisdictions of incorporation or organization	I.R.S. Employer Identification Number
814-00832	New Mountain Finance Corporation 787 Seventh Avenue, 48th Floor New York, New York 10019 Telephone: (212) 720-0300 State of Incorporation: Delaware	27-2978010

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value \$0.01 per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of common stock held by non-affiliates of New Mountain Finance Corporation on June 30, 2017, based on the closing price on that date of \$14.55, on the New York Stock Exchange was \$1,001.0 million. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.

Description

Shares as of February 28, 2018

Common stock, par value \$0.01 per share

75,935,093

Portions of the Registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on this Form 10-K are incorporated by reference into Part III on this Form 10-K.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2017
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PART I

Item 1. Business

New Mountain Finance Corporation ("NMFC", the "Company", "we", "us" or "our") is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). We are also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through December 31, 2017, we have raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

Our wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), our wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). We consolidate our tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing") serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. ("SBIC I") and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP"), are organized in Delaware as a limited partnership and limited liability company, respectively. During the year ended December 31, 2017, New Mountain Finance SBIC II, L.P. ("SBIC II") and its general partner, New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC I and SBIC II received licenses from the United States ("U.S.") Small Business Administration (the "SBA") to operate as a small business investment company ("SBIC") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act"). Our wholly-owned subsidiary, New Mountain Net Lease Corporation ("NMNLC"), a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and has qualified, and intends to continue to qualify, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

New Mountain Finance Advisers BDC, L.L.C.

New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") is a wholly-owned subsidiary of New Mountain Capital, L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. The Investment Adviser is managed by a five member investment committee, which is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. For additional information on the investment committee, see "Investment Committee".

New Mountain Finance Administration, L.L.C.

New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations. The Administrator also performs, or oversees the performance of, our financial records, our reports to stockholders and reports filed with the U.S. Securities and Exchange Commission ("SEC"). The Administrator performs the calculation and publication of our net asset values, the payment of our expenses and oversees the performance of various third-party service providers and the preparation and filing of our tax returns. The Administrator may also provide, on our behalf, managerial assistance to our portfolio companies.

Competition

We compete for investments with a number of BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of financing. Many of these entities have greater financial and managerial resources than we do. We believe we are able to be competitive with these entities primarily on the basis of the experience and contacts of our management team, our responsive and efficient investment

analysis and decision-making processes, the investment terms we offer, the model that we employ to perform our due diligence with the broader New Mountain Capital team and our model of investing in companies and industries we know well.

We believe that some of our competitors may make investments with interest rates and returns that are comparable to or lower than the rates and returns that we target. Therefore, we do not seek to compete solely on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see *Item 1A.—Risk Factors*.

Investment Objective and Portfolio

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the “last out” tranche. In some cases, our investments may also include equity interests.

We make investments through both primary originations and open-market secondary purchases. We predominantly target loans to, and invest in, U.S. middle market businesses, a market segment we believe continues to be underserved by other lenders. We define middle market businesses as those businesses with annual earnings before interest, taxes, depreciation, and amortization (“EBITDA”) between \$10.0 million and \$200.0 million. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, each of SBIC I’s and SBIC II’s investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I’s and SBIC II’s investments must be in SBA eligible small businesses. For additional information on SBA regulations, see “SBA Regulation”. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2017, our top five industry concentrations were business services, software, healthcare services, education and consumer services. Our targeted investments typically have maturities of between five and ten years and generally range in size between \$10.0 million and \$125.0 million. This investment size may vary proportionately as the size of our capital base changes. At December 31, 2017, our portfolio consisted of 84 portfolio companies and was invested 38.0% in first lien loans, 37.4% in second lien loans, 3.8% in subordinated debt and 20.8% in equity and other, as measured at fair value versus 78 portfolio companies invested 44.9% in first lien loans, 38.8% in second lien loans, 4.3% in subordinated debt and 12.0% in equity and other, as measured at fair value at December 31, 2016.

The fair value of our investments was approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017, approximately \$1,558.8 million in 78 portfolio companies at December 31, 2016 and approximately \$1,512.2 million in 75 portfolio companies at December 31, 2015.

The following table shows our portfolio and investment activity for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

(in millions)	Year Ended December 31,		
	2017	2016	2015
New investments in 64, 43 and 36 portfolio companies, respectively	\$ 999.7	\$ 558.1	\$ 612.7
Debt repayments in existing portfolio companies	696.6	479.5	400.8
Sales of securities in 17, 10 and 15 portfolio companies, respectively	70.7	67.6	83.1
Change in unrealized appreciation on 58, 71 and 23 portfolio companies, respectively	66.1	76.5	44.7
Change in unrealized depreciation on 43, 24 and 70 portfolio companies, respectively	(15.3)	(36.4)	(79.9)

At December 31, 2017 and December 31, 2016, our weighted average yield to maturity at cost (“YTM at Cost”) was approximately 0.9% and 11.1%, respectively. This YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage. YTM at Cost uses the London Interbank Offered Rate (“LIBOR”) curves at each quarter’s end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

The following summarizes our ten largest portfolio company investments and the top ten industries in which we were invested as of December 31, 2017, calculated as a percentage of total assets as of December 31, 2017:

Portfolio Company	Percent of Total Assets
HI Technology Corp.	5.5%
NMFC Senior Loan Program II LLC	4.1%
UniTek Global Services, Inc.	3.4%
AmWINS Group, Inc.	3.0%
Avatar Topco, Inc.	2.9%
Tenawa Resource Management LLC	2.5%
Alegeus Technologies, LLC	2.4%
PetVet Care Centers LLC	2.4%
Integro Parent Inc.	2.3%
Severin Acquisition, LLC	2.1%
Total	30.6%

Industry Type	Percent of Total Assets
Business Services	30.2%
Software	15.5%
Healthcare Services	9.1%
Education	9.0%
Consumer Services	6.8%
Distribution & Logistics	5.8%
Investment Fund	5.3%
Federal Services	4.1%
Energy	3.8%
Net Lease	2.1%
Total	91.7%

Investment Criteria

The Investment Adviser has identified the following investment criteria and guidelines for use in evaluating prospective portfolio companies. However, not all of these criteria and guidelines were, or will be, met in connection with each of our investments.

- *Defensive growth industries.* We seek to invest in industries that can succeed in both robust and weak economic environments but which are also sufficiently large and growing to achieve high valuations providing enterprise value cushion for our targeted debt securities.
- *High barriers to competitive entry.* We target industries and companies that have well defined industries and well established, understandable barriers to competitive entry.
- *Recurring revenue.* Where possible, we focus on companies that have a high degree of predictability in future revenue.
- *Flexible cost structure.* We seek to invest in businesses that have limited fixed costs and therefore modest operating leverage.
- *Strong free cash flow and high return on assets.* We focus on businesses with a demonstrated ability to produce meaningful free cash flow from operations. We typically target companies that are not asset intensive and that have minimal capital expenditure and minimal working capital growth needs.
- *Sustainable business and niche market dominance.* We seek to invest in businesses that exert niche market dominance in their industry and that have a demonstrated history of sustaining market leadership over time.

- *Established companies.* We seek to invest in established companies with sound historical financial performance. We do not intend to invest in start-up companies or companies with speculative business plans.
- *Private equity sponsorship.* We generally seek to invest in companies in conjunction with private equity sponsors who we know and trust and who have proven capabilities in building value.
- *Seasoned management team.* We generally require that portfolio companies have a seasoned management team with strong corporate governance. Oftentimes we have a historical relationship with or direct knowledge of key managers from previous investment experience.

Investment Selection and Process

The Investment Adviser believes it has developed a proven, consistent and replicable investment process to execute our investment strategy. The Investment Adviser seeks to identify the most attractive investment sectors from the top down and then works to become the most advantaged investor in these sectors. The steps in the Investment Adviser's process include:

- Identifying attractive investment sectors top down;
- Creating competitive advantages in the selected industry sectors; and
- Targeting companies with leading market share and attractive business models in its chosen sectors.

Investment Committee

The Investment Adviser is managed by a five member investment committee (the "Investment Committee"), which is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the Investment Committee will consist of a New Mountain Capital Managing Director who will hold the position on the Investment Committee on an annual rotating basis. Mathew J. Lori served on the Investment Committee from August 2016 to July 2017. Beginning in August 2017, Peter N. Masucci was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. Purchases and dispositions below \$10.0 million may be approved by our chief executive officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

The purpose of the Investment Committee is to evaluate and approve, as deemed appropriate, all investments by the Investment Adviser, subject to certain thresholds. The Investment Committee's process is intended to bring the diverse experience and perspectives of the Investment Committee's members to the analysis and consideration of every investment. The Investment Committee also serves to provide investment consistency and adherence to the Investment Adviser's investment philosophies and policies. The Investment Committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, the Investment Committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and investment opportunities are also reviewed on a regular basis. Members of our investment team are encouraged to share information and views on credits with the Investment Committee early in their analysis. This process improves the quality of the analysis and assists the deal team members to work more efficiently.

Investment Structure

We target debt investments that will yield meaningful current income and occasionally provide the opportunity for capital appreciation through equity securities. Our debt investments are typically structured with the maximum seniority and collateral that we can reasonably obtain while seeking to achieve our total return target.

Debt Investments

The terms of our debt investments are tailored to the facts and circumstances of the transaction and prospective portfolio company and structured to protect its rights and manage its risk while creating incentives for the portfolio company to achieve its business plan. A substantial source of return is the cash interest that we collect on our debt investments.

- **First Lien Loans and Bonds.** First lien loans and bonds generally have terms of four to seven years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a first priority security interest in all existing and future assets of the borrower. These first lien loans and bonds may include payment-in-kind ("PIK") interest, which represents contractual interest accrued and added to the principal that generally

becomes due at maturity. Our first lien loans may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the “last out” tranche.

- **Second Lien Loans and Bonds.** Second lien loans and bonds generally have terms of five to eight years, provide for a variable or fixed interest rate, may contain prepayment penalties and are secured by a second priority security interest in all existing and future assets of the borrower. These second lien loans and bonds may include PIK interest.
- **Unsecured Senior, Subordinated and "Mezzanine" Loans and Bonds.** Any unsecured investments are generally expected to have terms of five to ten years and provide for a fixed interest rate. Unsecured investments may include PIK interest and may have an equity component, such as warrants to purchase common stock in the portfolio company.

In addition, from time to time we may also enter into revolving credit facilities, bridge financing commitments, delayed draw commitments or other commitments which can result in providing future financing to a portfolio company.

Equity Investments

When we make a debt investment, we may be granted equity in the portfolio company in the same class of security as the sponsor receives upon funding. In addition, we may from time to time make non-control, equity co-investments in conjunction with private equity sponsors. We generally seek to structure our equity investments, such as direct equity co-investments, to provide us with minority rights provisions and event-driven put rights. We also seek to obtain limited registration rights in connection with these investments, which may include “piggyback” registration rights.

Portfolio Company Monitoring

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of our original investment strategy. We use several methods of evaluating and monitoring the performance of our investments, including but not limited to the following:

- review of monthly and/or quarterly financial statements and financial projections for portfolio companies provided by its management;
- ongoing dialogue with and review of original diligence sources;
- periodic contact with portfolio company management (and, if appropriate, the private equity sponsor) to discuss financial position, requirements and accomplishments; and
- assessment of business development success, including product development, profitability and the portfolio company's overall adherence to its business plan.

We use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. We use a four-level numeric rating scale as follows:

- Investment Rating 1—Investment is performing materially above expectations;
- Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;
- Investment Rating 3—Investment is performing materially below expectations and while significant loss is not expected, the risk of loss has increased since the original investment; and
- Investment Rating 4—Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2017:

(in millions) Investment Rating	As of December 31, 2017	
	Fair Value	Percent
Investment Rating 1	\$ 87.9	4.8%
Investment Rating 2	1,737.4	95.2%
Investment Rating 3	—	—%
Investment Rating 4	0.4	—%
	<u>\$ 1,825.7</u>	<u>100.0%</u>

Exit Strategies/Refinancing

We exit our investments typically through one of four scenarios: (i) the sale of the portfolio company itself, resulting in repayment of all outstanding debt, (ii) the recapitalization of the portfolio company in which our loan is replaced with debt or equity from a third party or parties (in some cases, we may choose to participate in the newly issued loan(s)), (iii) the repayment of the initial or remaining principal amount of our loan then outstanding at maturity or (iv) the sale of the debt investment by us. In some investments, there may be scheduled amortization of some portion of our loan which would result in a partial exit of our investment prior to the maturity of the loan.

Valuation

At all times consistent with accounting principals generally accepted in the United States of America ("GAAP") and the 1940 Act, we conduct a valuation of our assets, which impacts our net asset value.

We value our assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available and any other situation where our portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. Our quarterly valuation procedures are set forth in more detail below:

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
 - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
 - b. For investments other than bonds, the investment professionals of the Investment Adviser look at the number of quotes readily available and perform the following:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
 - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
- b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
- c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the investment professionals of the Investment Adviser do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
- d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of commitments not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. 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 fluctuate from period to period and the fluctuations could be material.

Operating and Regulatory Environment

As with other companies regulated by the 1940 Act, a BDC must adhere to certain regulatory requirements. The 1940 Act contains prohibitions and restrictions relating to investments by a BDC in another investment company as well as transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. A BDC must be organized and have its principal place of business in the U.S., it must be operated for the purpose of investing in or lending to primarily private companies and for qualifying investments it must make significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies.

We have a board of directors. A majority of our board of directors must be persons who are not interested persons, as that term is defined in the 1940 Act. As a BDC, we are prohibited from indemnifying any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC.

As a BDC, we are required to meet a coverage ratio of the value of total assets to total senior securities, which include all of our borrowings, excluding SBA-guaranteed debentures, and any preferred stock we may issue in the future, of at least 200.0% (i.e., the amount of debt may not exceed 50.0% of the value of our total assets or we may borrow an amount equal to 100.0% of net assets). We monitor our compliance with this coverage ratio on a regular basis.

We may, to the extent permitted under the 1940 Act, issue additional equity or debt capital. We will generally not be able to issue and sell our common stock at a price below net asset value per share without shareholder approval. 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 of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we will not generally be permitted to invest in any portfolio company in which the Investment Adviser or any of its affiliates currently have an investment or to make any co-investments with the Investment Adviser or its affiliates without an exemptive order from the SEC. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the

1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67.0% or more of such company's voting securities present at a meeting if more than 50.0% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50.0% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

In addition, as a BDC, we are not permitted to issue stock in consideration for services.

Taxation as a Regulated Investment Company

We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not be subject to corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as distributions. Rather, distributions paid by us generally will be taxable to our stockholders, and any net operating losses, foreign tax credits and other tax attributes of ours generally will not pass through to our stockholders, subject to special rules for certain items such as net capital gains and qualified dividend income recognized by us.

To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. In addition, to qualify for tax treatment as a RIC, we must distribute to our stockholders, for each taxable year, at least 90.0% of our "investment company taxable income", which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

We will be subject to a 4.0% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98.0% of our net ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed and on which we did not pay corporate-level U.S. federal income tax, in preceding years (the "Excise Tax Avoidance Requirement"). While we intend to make distributions to our stockholders in each taxable year that will be sufficient to avoid any U.S. federal excise tax on our earnings, there can be no assurance that we will be successful in entirely avoiding this tax.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90.0% of our gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities or foreign currencies, net income from certain "qualified publicly traded partnerships", or other income derived with respect to our business of investing in such stock or securities (the "90.0% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
 - at least 50.0% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and
 - no more than 25.0% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of: (1) one issuer, (2) two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades, or (3) businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses). If our expenses in a given year exceed our investment company taxable income, we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years and such net operating losses do not pass through to its stockholders. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. A RIC may not use any net capital losses (that is, realized capital losses in excess of realized capital gains)

to offset the RIC's investment company taxable income, but may carry forward such losses, and use them to offset capital gains, indefinitely. Due to these limits on the deductibility of expenses and net capital losses, we may for tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years.

Failure to Qualify as a Regulated Investment Company

If we fail to satisfy the 90.0% Income Test or the Diversification Tests for any taxable year or quarter of such taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions of the Code apply (which may, among other things, require us to pay certain corporate-level U.S. federal income taxes or to dispose of certain assets). If we fail to qualify for treatment as a RIC and such relief provisions do not apply to us, we will be subject to U.S. federal income tax on all of our taxable income at regular corporate rates (and also will be subject to any applicable state and local taxes), regardless of whether we make any distributions to our stockholders. Distributions would not be required. However, if distributions were made, any such distributions would be taxable to our stockholders as ordinary dividend income and, subject to certain limitations under the Code, any such distributions may be eligible for the 20.0% maximum rate applicable to non-corporate taxpayers to the extent of our current or accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized during the five-year period after our requalification as a RIC, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gain at the time of our requalification as a RIC. We may decide to be taxed as a regular corporation even if we would otherwise qualify as a RIC if we determine that treatment as a corporation for a particular year would be in our best interests.

SBA Regulation

On August 1, 2014 and August 25, 2017, respectively, SBIC I and SBIC II, our wholly-owned direct and indirect subsidiary, received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act. SBIC I and SBIC II have an investment strategy and philosophy substantially similar to ours and make similar types of investments in accordance with SBA regulations.

A SBIC license allows SBIC I and SBIC II to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and certain approvals by the SBA and customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under the regulations applicable to SBICs, a standard debenture licensed SBIC is eligible for two tiers of leverage capped at \$150.0 million, where each tier is equivalent to the SBIC's regulatory capital, which generally equates to the amount of equity capital in the SBIC. Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity. SBIC I and SBIC II are subject to regulation and oversight by the SBA, including requirements with respect to reporting financial information, such as the extent of capital impairment, if applicable, on a regular basis. The SBA, as a creditor, will have a superior claim to SBIC I's and SBIC II's assets over our stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC I and SBIC II upon an event of default.

On November 5, 2014, we received exemptive relief from the SEC to permit us to exclude the SBA-guaranteed debentures of SBIC I and any other future SBIC subsidiaries, including SBIC II, from our 200.0% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200.0%. This provides us with increased investment flexibility but also increases our risks related to leverage.

SBICs are designed to stimulate the flow of private investor capital to eligible small businesses as defined by the SBA. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding \$19.5 million and have average annual net income after U.S. federal income taxes not exceeding \$6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must invest 25.0% of its investment capital to "smaller business", as defined by the SBA. The definition of a smaller business generally includes businesses that have a tangible net worth not exceeding \$6.0 million for the most recent fiscal year and have average annual net income after U.S. federal income taxes not exceeding \$2.0 million (average net income to be computed without benefit of any net carryover

loss) for the two most recent fiscal years. SBA regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and is based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in an eligible small business, it may continue to make follow-on investments in the company, regardless of the size of the company at the time of the follow-on investment.

The SBA prohibits an SBIC from providing funds to small businesses with certain characteristics, such as businesses with the majority of their employees located outside the U.S., or from investing in project finance, real estate, farmland, financial intermediaries or "passive" (i.e. non-operating) businesses. Without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30.0% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). An SBIC may exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in associates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10.0% or more of a class of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

The SBA regulations require, among other things, an annual periodic examination of a licensed SBIC by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations, and the performance of a financial audit by an independent auditor.

In December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval.

Historical Structure

On May 19, 2011, we priced our IPO of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, we sold an additional 2,172,000 shares of our common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with our IPO and through a series of transactions, NMF Holdings acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for U.S. federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings' existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes.

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation ("AIV Holdings") was a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, was AIV Holdings' sole stockholder. AIV Holdings was a closed-end, non-diversified management investment company that was regulated as a BDC under the 1940 Act. As such, AIV Holdings was obligated to comply with certain regulatory requirements. AIV Holdings was treated, and complied with the requirements to qualify annually, as a RIC under the Code. AIV Holdings was dissolved on April 25, 2014.

Prior to May 8, 2014, NMFC and AIV Holdings were holding companies with no direct operations of their own, and their sole asset was their ownership in NMF Holdings. In connection with the IPO, NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated (the "Operating Agreement"), of NMF Holdings, pursuant to which NMFC and AIV Holdings were admitted as members of NMF Holdings. NMFC acquired from NMF Holdings, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units ("units") of NMF Holdings (the number of units were equal to the number of shares of NMFC's common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of NMF Holdings equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of NMF Holdings prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings had the right to exchange all or any portion of its units in NMF Holdings for shares of NMFC's common stock on a one-for-one basis at any time.

The original structure was designed to generally prevent NMFC from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities' assets, and rather such amounts would be allocated generally to AIV Holdings. The result was that any distributions made to NMFC's stockholders that were attributable to such gains generally were not treated as taxable dividends but rather as return of capital.

We acquired from NMF Holdings units of NMF Holdings equal to the number of shares of our common stock sold in additional offerings. With the completion of the final secondary offering on February 3, 2014, we owned 100.0% of the units of NMF Holdings, which became our wholly-owned subsidiary.

Restructuring

As a BDC, AIV Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of AIV Holdings' business model, AIV Holdings' board of directors determined that continuation as a BDC was not in the best interest of AIV Holdings and Guardian AIV. Specifically, given that AIV Holdings was formed for the sole purpose of holding units of NMF Holdings and AIV Holdings had disposed of all of the units of NMF Holdings that it was holding as of February 3, 2014, the board of directors of AIV Holdings approved and declared advisable at an in-person meeting held on March 25, 2014 the withdrawal of AIV Holdings' election to be regulated as a BDC under the 1940 Act. In addition, the board of directors of AIV Holdings approved and declared advisable for AIV Holdings to terminate its registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to dissolve AIV Holdings under the laws of the State of Delaware.

Upon receipt of the necessary stockholder consent to authorize the board of directors of AIV Holdings to withdraw AIV Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the SEC of AIV Holdings' notification of withdrawal on Form N-54C on April 15, 2014. The board of directors of AIV Holdings believed that AIV Holdings met the requirements for filing the notification to withdraw its election to be regulated as a BDC, upon the receipt of the necessary stockholder consent. After the notification of withdrawal of AIV Holdings' BDC election was filed with the SEC, AIV Holdings was no longer subject to the regulatory provisions of the 1940 Act applicable to BDCs generally, including regulations related to insurance, custody, composition of its board of directors, affiliated transactions and any compensation arrangements.

In addition, on April 15, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings' registration under Section 12(g) of the Exchange Act. After these SEC filings and any other federal or state regulatory or tax filings were made, AIV Holdings proceeded to dissolve under Delaware law by filing a certificate of dissolution in Delaware on April 25, 2014.

Until May 8, 2014, as a BDC, NMF Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of NMF Holdings' current business model, NMF Holdings' board of directors determined at an in-person meeting held on March 25, 2014 that continuation as a BDC was not in the best interests of NMF Holdings.

At the joint annual meeting of the stockholders of NMFC and the sole unit holder of NMF Holdings held on May 6, 2014, the stockholders of NMFC and the sole unit holder of NMF Holdings approved a proposal which authorized the board of directors of NMF Holdings to withdraw NMF Holdings' election to be regulated as a BDC. Additionally, the stockholders of NMFC approved a new investment advisory and management agreement between NMFC and the Investment Adviser. Upon receipt of the necessary stockholder/unit holder approval to authorize the board of directors of NMF Holdings to withdraw

NMF Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the SEC of NMF Holdings' notification of withdrawal on Form N-54C on May 8, 2014.

Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, and NMFC assumed all other operating activities previously undertaken by NMF Holdings under the management of the Investment Adviser (collectively, the "Restructuring"). After the Restructuring, all wholly-owned direct and indirect subsidiaries of NMFC are consolidated with NMFC for both 1940 Act and financial statement reporting purposes, subject to any financial statement adjustments required in accordance with GAAP. NMFC continues to remain a BDC regulated under the 1940 Act.

Also, on May 8, 2014, NMF Holdings filed Form 15 with the SEC to terminate NMF Holdings' registration under Section 12(g) of the Exchange Act. As a special purpose entity, NMF Holdings is bankruptcy-remote and non-recourse to NMFC. In addition, the assets held at NMF Holdings will continue to be used to secure NMF Holdings' credit facility.

Prior to December 18, 2014, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF") was a Delaware limited liability company. NMF SLF was a wholly-owned subsidiary of NMF Holdings and thus our wholly-owned indirect subsidiary. NMF SLF was bankruptcy-remote and non-recourse to us. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014. See *Item 8.—Financial Statements and Supplementary Data—Note 5. Agreements* for additional information on our borrowings.

Investment Management Agreement

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. We are externally managed by our Investment Adviser and pay our Investment Adviser a fee for its services. The following summarizes our arrangements with the Investment Adviser pursuant to an investment advisory and management agreement (the "Investment Management Agreement").

Management Services

The Investment Adviser is registered as an Investment Adviser under the Advisers Act. The Investment Adviser serves pursuant to the Investment Management Agreement in accordance with the 1940 Act. Subject to the overall supervision of our board of directors, the Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. Under the terms of the Investment Management Agreement, the Investment Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- determines the securities and other assets that we will purchase, retain or sell;
- identifies, evaluates and negotiates the structure of our investments that we make;
- executes, monitors and services the investments that we make;
- performs due diligence on prospective portfolio companies;
- votes, exercises consents and exercises all other rights appertaining to such securities and other assets on our behalf; and
- provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require.

The Investment Adviser's services under the Investment Management Agreement are not exclusive, and the Investment Adviser (so long as its services to us are not impaired) and/or other entities affiliated with New Mountain Capital are permitted to furnish similar services to other entities.

Management Fees

Pursuant to the Investment Management Agreement, we have agreed to pay the Investment Adviser a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee. The cost of both the base management fee payable to the Investment Adviser and any incentive fees paid in cash to the Investment Adviser are borne by us and, as a result, are indirectly borne by our common stockholders.

Base Management Fees

Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of our gross assets, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 27, 2010, as amended (the "SLF Credit Facility"), and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of our gross assets, which equals our total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents, at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee.

Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and into the Second Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association (the "Holdings Credit Facility") on December 18, 2014. See *Item 8.—Financial Statements and Supplementary Data—Note 7. Borrowings* for additional information on our credit facilities. The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since our IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which approximated \$281.2 million as of December 31, 2017. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the year ended December 31, 2017, total management fees waived was approximately \$5.6 million.

Incentive Fees

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there is none as of December 31, 2017), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, our IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold or mature in the future. We track the transferred (or fair market) value of each of our investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjust Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on our investments as if each investment was purchased at the date of our IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". We also use the transferred (or fair market) value of each of our investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation"). As of December 31, 2017, all predecessor investments have been sold or matured.

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 2.0% per quarter (8.0% annualized), subject to a "catch-up" provision measured as of the end of each calendar quarter. The hurdle rate is appropriately pro-rated for any partial periods. The calculation of our incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which our Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").
- 100.0% of our Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of our Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of our Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when our Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.
- 20.0% of the amount of our Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved.

For the year ended December 31, 2017, incentive fees waived were approximately \$1.8 million.

The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of our Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, we accrue a hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

Example 1: Income Related Portion of Incentive Fee for Each Calendar Quarter*:

Alternative 1

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income
(investment income – (management fee + other expenses)) = 0.61%

Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate, therefore there is no income related incentive fee.

Alternative 2

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.90%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income
(investment income – (management fee + other expenses)) = 2.26%

Incentive fee = 100.00% × Pre-Incentive Fee Adjusted Net Investment Income (subject to "catch-up")(4)

= 100.00% × (2.26% – 2.00%)
= 0.26%

Pre-Incentive Fee Adjusted Net Investment Income exceeds the hurdle rate, but does not fully satisfy the "catch-up" provision, therefore the income related portion of the incentive fee is 0.26%.

Alternative 3

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.50%
Hurdle rate(1) = 2.00%
Management fee(2) = 0.44%
Other expenses (legal, accounting, safekeeping agent, transfer agent, etc.)(3) = 0.20%

Pre-Incentive Fee Adjusted Net Investment Income
(investment income – (management fee + other expenses)) = 2.86%

Incentive fee = 100.00% × Pre-Incentive Fee Adjusted Net Investment Income (subject to "catch-up")(4)

Incentive fee = 100.00% × "catch-up" + (20.00% × (Pre-Incentive Fee Adjusted Net Investment Income 2.50%))

Catch-up = 2.50% – 2.00%
= 0.50%

Incentive fee = (100.00% × 0.50%) + (20.00% × (2.86% – 2.50%))
= 0.50% + (20.00% × 0.36%)
= 0.50% + 0.07%
= 0.57%

Pre-Incentive Fee Adjusted Net Investment Income exceeds the hurdle rate, and fully satisfies the "catch-up" provision, therefore the income related portion of the incentive fee is 0.57%.

* The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets and assumes, for our investments held prior to the IPO, interest income has been adjusted to reflect the amortization of purchase or original issue discount as if each investment was purchased at the date of the IPO, or stepped up to fair market value.

- (1) Represents 8.00% annualized hurdle rate.
- (2) Assumes 1.75% annualized base management fee.
- (3) Excludes organizational and offering expenses.
- (4) The "catch-up" provision is intended to provide the Investment Adviser with an incentive fee of 20.00% on all Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when our net investment income exceeds 2.50% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee*:

Alternative 1:

Assumptions

Year 1: \$20.0 million investment made in Company A ("Investment A"), and \$30.0 million investment made in Company B ("Investment B")

Year 2: Investment A sold for \$50.0 million and fair market value ("FMV") of Investment B determined to be \$32.0 million

Year 3: FMV of Investment B determined to be \$25.0 million

Year 4: Investment B sold for \$31.0 million

The capital gains portion of the incentive fee would be:

Year 1: None

Year 2: Capital gains incentive fee of \$6.0 million—(\$30.0 million realized capital gains on sale of Investment A multiplied by 20.0%)

Year 3: None—\$5.0 million (20.0% multiplied by (\$30.0 million cumulative capital gains less \$5.0 million cumulative capital depreciation)) less \$6.0 million (previous capital gains fee paid in Year 2)

Year 4: Capital gains incentive fee of \$0.2 million—\$6.2 million (\$31.0 million cumulative realized capital gains multiplied by 20.0%) less \$6.0 million (capital gains incentive fee taken in Year 2)

Alternative 2

Assumptions

Year 1: \$20.0 million investment made in Company A ("Investment A"), \$30.0 million investment made in Company B ("Investment B") and \$25.0 million investment made in Company C ("Investment C")

Year 2: Investment A sold for \$50.0 million, FMV of Investment B determined to be \$25.0 million and FMV of Investment C determined to be \$25.0 million

Year 3: FMV of Investment B determined to be \$27.0 million and Investment C sold for \$30.0 million

Year 4: FMV of Investment B determined to be \$35.0 million

Year 5: Investment B sold for \$20.0 million

The capital gains incentive fee, if any, would be:

Year 1: None

Year 2: \$5.0 million capital gains incentive fee—20.0% multiplied by \$25.0 million (\$30.0 million realized capital gains on Investment A less \$5.0 million unrealized capital depreciation on Investment B)

Year 3: \$1.4 million capital gains incentive fee—\$6.4 million (20.0% multiplied by \$32.0 million (\$35.0 million cumulative realized capital gains less \$3.0 million unrealized capital depreciation)) less \$5.0 million capital gains incentive fee received in Year 2

Year 4: \$0.6 million capital gains incentive fee—\$7.0 million (20.0% multiplied by \$35.0 million cumulative realized capital gains) less cumulative \$6.4 million capital gains incentive fee received in Year 2 and Year 3

Year 5: None—\$5.0 million (20.0% multiplied by \$25.0 million (cumulative realized capital gains of \$35.0 million less realized capital losses of \$10.0 million)) less \$7.0 million cumulative capital gains incentive fee paid in Year 2, Year 3 and Year 4(1)

* The hypothetical amounts of returns shown are based on a percentage of our total net assets and assume no leverage. There is no guarantee that positive returns will be realized and actual returns may vary from those shown in this example. The capital gains incentive fees are calculated on an "adjusted" basis for our investments held prior to the IPO and assumes those investments have been adjusted to reflect the amortization of purchase or original issue discount as if each investment was purchased at the date of the IPO, or stepped up to fair market value.

(1) As noted above, it is possible that the cumulative aggregate capital gains fee received by the Investment Adviser (\$7.0 million) is effectively greater than \$5.0 million (20.0% of cumulative aggregate realized capital gains less net realized capital losses or net unrealized depreciation (\$25.0 million)).

Payment of Expenses

Our primary operating expenses are the payment of a base management fee and any incentive fees under the Investment Management Agreement and the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement. We bear all other expenses of our operations and transactions, including (without limitation) fees and expenses relating to:

- organizational and offering expenses;
- the investigation and monitoring of our investments;

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- the cost of calculating net asset value;
- interest payable on debt, if any, to finance our investments;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- management and incentive fees payable pursuant to the Investment Management Agreement;
- fees payable to third parties relating to, or associated with, making investments and valuing investments (including third-party valuation firms);
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts (including attendance at investment conferences and similar events);
- federal and state registration fees;
- any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders' reports and notices;
- costs of preparing government filings, including periodic and current reports with the SEC;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws;
- fidelity bond, liability insurance and other insurance premiums; and
- printing, mailing and all other direct expenses incurred by either the Investment Adviser or us in connection with administering our business, including payments under the Administration Agreement that are based upon our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, including the allocable portion of the compensation of our chief financial officer and chief compliance officer and their respective staffs.

Board Consideration of the Investment Management Agreement

Our board of directors determined at an in-person meeting held on February 7, 2018 to re-approve our Investment Management Agreement with the Investment Adviser. In the consideration of the re-approval of the Investment Management Agreement, our board of directors focused on information they had received relating to, among other things:

- the nature, extent and quality of advisory and other services provided by the Investment Adviser, including information about our investment performance relative to our stated objectives and in comparison to our performance peer group and relevant market indices, and concluded that such advisory and other services are satisfactory and our investment performance is reasonable;
- the experience and qualifications of the personnel providing such advisory and other services, including information about the backgrounds of the investment personnel, the allocation of responsibilities among such personnel and the process by which investment decisions are made, and concluded that the investment personnel of the Investment Adviser have extensive experience and are well qualified to provide advisory and other services to us;
- the current fee structure, the existence of any fee waivers, and our anticipated expense ratios in relation to those of other investment companies having comparable investment policies and limitations, and concluded that the current fee structure is reasonable;

- the advisory fees charged to us by the Investment Adviser and comparative data regarding the advisory fees charged by other investment advisers to BDCs with similar investment objectives, and concluded that the advisory fees charged to us by the Investment Adviser are reasonable;
- the direct and indirect costs, including for personnel and office facilities, that are incurred by the Investment Adviser and its affiliates in performing services for us and the basis of determining and allocating these costs, and concluded that the direct and indirect costs, including the allocation of such costs, are reasonable;
- the total of all assets managed by the Adviser, as well as total number of investment companies and other clients serviced by the Adviser and possible economies of scale arising from our size and/or anticipated growth, and the extent to which such economies of scale are reflected in the advisory fees charged to us by the Investment Adviser, and concluded that some economies of scale may be possible in the future;
- other possible benefits to the Investment Adviser and its affiliates arising from their relationships with us, and concluded that any such other benefits were not material to the Investment Adviser and its affiliates; and
- possible alternative fee structures or bases for determining fees and the possibility of obtaining similar services from other third party service providers, and concluded that our current fee structure and bases for determining fees are satisfactory.

Based on the information reviewed and the discussions detailed above, our board of directors, including a majority of the directors who are not "interested persons" as defined in the 1940 Act, concluded that the fees payable to the Investment Adviser pursuant to the Investment Management Agreement were reasonable, and comparable to the fees paid by other management investment companies with similar investment objectives, in relation to the services to be provided. Our board of directors did not assign relative weights to the above factors or the other factors considered by it. Individual members of our board of directors may have given different weights to different factors.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the BDC's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

- 1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
 - (a) is organized under the laws of, and has its principal place of business in, the U.S.;
 - (b) is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - (c) satisfies any of the following:
 - (i) does not have any class of securities that is traded on a national securities exchange;
 - (ii) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250.0 million;
 - (iii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
 - (iv) is a small and solvent company having total assets of not more than \$4.0 million and capital and surplus of not less than \$2.0 million.
- 2) Securities of any eligible portfolio company that the BDC controls.
- 3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its

obligations as they came prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

- 4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and the BDC already owns 60.0% of the outstanding equity of the eligible portfolio company.
- 5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
- 6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

As of December 31, 2017, 13.2% of our total assets were non-qualifying assets.

Significant Managerial Assistance to Portfolio Companies

BDCs generally must offer to make available to the eligible issuers of its securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. The Administrator or its affiliate provides such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investments in other types of qualifying assets, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment (collectively, as "temporary investments"), so that 70.0% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. The Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions. We had no temporary investments as of December 31, 2017.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of debt if our asset coverage, as defined in the 1940 Act, is at least equal to 200.0% immediately after each such issuance. In addition, while any senior securities remain outstanding (other than any indebtedness issued in consideration of a privately arranged loan, such as any indebtedness outstanding under the Holdings Credit Facility, or the Senior Secured Revolving Credit Agreement with Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, dated June 4, 2014, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), the convertible notes issued on June 3, 2014 and September 30, 2016 under our indenture with U.S. Bank National Association (the "Convertible Notes"), or the unsecured notes issued on May 6, 2016, September 30, 2016 and June 30, 2017 (the "Unsecured Notes")), we must make provisions to prohibit any distribution to our stockholders or the repurchase of our equity securities unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5.0% of the value of our total assets for temporary or emergency purposes without regard to our asset coverage. We will include our assets and liabilities and all of our wholly-owned direct and indirect subsidiaries for purposes of calculating the asset coverage ratio. We received exemptive relief from the SEC on November 5, 2014, allowing us to modify the asset coverage requirement to exclude SBA-guaranteed debentures from this calculation. For a discussion of the risks associated with leverage, see *Item 1A.—Risk Factors*.

Code of Ethics

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, District of Columbia 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330, and a copy of the code of ethics may be obtained, after paying a duplication fee, by electronic request at the following e-mail address: publicinfo@sec.gov. In addition, the code of ethics is available on the SEC's website at <http://www.sec.gov>.

Compliance Policies and Procedures

We and the Investment Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and we are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation. Our chief compliance officer is responsible for administering these policies and procedures.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to the Investment Adviser. The proxy voting policies and procedures of the Investment Adviser are set forth below. The guidelines will be reviewed periodically by the Investment Adviser and our non-interested directors, and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, the Investment Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

The policies and procedures for voting proxies for the investment advisory clients of the Investment Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy policies

The Investment Adviser will vote proxies relating to our securities in our best interest. It will review on a case-by-case basis each proposal submitted for a stockholder vote to determine its impact on the portfolio securities held by us. Although the Investment Adviser will generally vote against proposals that may have a negative impact on its clients' portfolio securities, it may vote for such a proposal if there exists compelling long-term reasons to do so.

The proxy voting decisions of the Investment Adviser are made by the senior officers who are responsible for monitoring each of its clients' investments. To ensure that its vote is not the product of a conflict of interest, it will require that: (a) anyone involved in the decision making process disclose to its chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the Investment Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting records

You may obtain, without charge, information regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 787 Seventh Avenue, 48th Floor, New York, New York 10019.

Staffing

We do not have any employees. Our day-to-day investment operations are managed by the Investment Adviser. See "—Investment Management Agreement". We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, including the compensation of our chief financial officer and chief compliance officer, and their respective staffs. For a more detailed discussion of the Administration Agreement, see *Item 8.—Financial Statements and Supplementary Data—Note 5. Agreements*.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our chief executive officer and chief financial officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding their assessment of their internal control over financial reporting and is required to obtain an audit of the effectiveness of internal control over financial reporting performed by our independent registered public accounting firm; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports are required to disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act of 2002 requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. We intend to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act of 2002 and will take actions necessary to ensure that we are in compliance therewith.

Available Information

We file or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information as required by the 1940 Act. You may inspect and copy any materials we file with the SEC at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at <http://www.sec.gov>.

We make available free of charge on our website, <http://www.newmountainfinance.com>, our reports, proxies and information statements and other information as soon as reasonably practicable after we electronically file such materials with, or furnish to, the SEC. Information contained on our website or on the SEC's website about us is not incorporated into this annual report and should not be considered to be a part of this annual report.

Privacy Notice

Your privacy is very important to us. This Privacy Notice sets forth our policies with respect to non-public personal information about our stockholders and prospective and former stockholders. These policies apply to our stockholders and may be changed at any time, provided a notice of such change is given to you. This notice supersedes any other privacy notice you may have received from us.

We will safeguard, according to strict standards of security and confidentiality, all information we receive about you. The only information we collect from you is your name, address, number of shares you hold and your social security number. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law.

We do not share this information with any non-affiliated third party except as described below.

- *Authorized Employees of our Investment Adviser.* It is our policy that only authorized employees of our investment adviser who need to know your personal information will have access to it.
- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as recordkeeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.
- *Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

We seek to carefully safeguard your private information and, to that end, restrict access to non-public personal information about you to those employees and other persons who need to know the information to enable us to provide services to you. We maintain physical, electronic and procedural safeguards to protect your non-public personal information.

If you have any questions regarding this policy or the treatment of your non-public personal information, please contact our chief compliance officer at (212) 655-0083.

Item 1A. Risk Factors

You should carefully consider the significant risks described below, together with all of the other information included in this Form 10-K, including our consolidated financial statements and the related notes, before making an investment decision in us. The risks set forth below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may materially affect our business, our structure, our financial condition, our investments and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline. There can be no assurance that we will achieve our investment objective and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

Global capital markets could enter a period of severe disruption and instability. These market conditions have historically and could again have a materially adverse effect on debt and equity capital markets in the U.S., which could have, a materially negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of certain major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, signs of deteriorating sovereign debt conditions in Europe and concerns of economic slowdown in China create uncertainty that could lead to further disruptions and instability. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. Government spending and deficit levels, European sovereign debt, Chinese economic slowdown or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Further downgrades of the U.S. credit rating, impending automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations, which could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the U.S. and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the U.S. and worldwide. Since 2010, several European Union ("EU") countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In June 2016, the United Kingdom ("U.K.") held a referendum in which voters approved an exit from the EU ("Brexit"), and, accordingly, on February 1, 2017, the U.K. Parliament voted in favor of allowing the U.K. government to begin the formal process of Brexit. The initial negotiations on Brexit began in June 2017. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the U.K. and the EU, and this uncertainty and instability may last indefinitely. Because of the election results in the U.K. in June 2017, there is increased uncertainty on the timing of Brexit. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

As a result of the 2016 U.S. election, the Republican Party currently controls both the executive and legislative branches of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. The U.S. may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the U.S. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the U.S. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

We may suffer credit losses.

Investments in small and middle market businesses are highly speculative and involve a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently been experiencing.

We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain Capital.

We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of New Mountain Capital's investments. Our investment returns may be substantially lower than the returns achieved by the Predecessor Entities. Although the Predecessor Entities commenced operations during otherwise unfavorable economic conditions, this was a favorable environment in which the Predecessor Operating Company could conduct its business in light of its investment objectives and strategy. In addition, our investment strategies may differ from those of New Mountain Capital or its affiliates. We, as a BDC and as a RIC, are subject to certain regulatory restrictions that do not apply to New Mountain Capital or its affiliates.

We are generally not permitted to invest in any portfolio company in which New Mountain Capital or any of its affiliates currently have an investment or to make any co-investments with New Mountain Capital or its affiliates, except to the extent permitted by the 1940 Act. This may adversely affect the pace at which we make investments. Moreover, we may operate with a different leverage profile than the Predecessor Entities. Furthermore, none of the prior results from the Predecessor Entities were from public reporting companies, and all or a portion of these results were achieved in particularly favorable market conditions for the Predecessor Operating Company's investment strategy which may never be repeated. Finally, we can offer no assurance that our investment team will be able to continue to implement our investment objective with the same degree of success as it has had in the past.

There is uncertainty as to the value of our portfolio investments because most of our investments are, and may continue to be in private companies and recorded at fair value. In addition, the fair values of our investments are determined by our board of directors in accordance with our valuation policy.

Some of our investments are and may be in the form of securities or loans that are not publicly traded. The fair value of these investments may not be readily determinable. Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our securities. We value our investments for which we do not have readily available market quotations quarterly, or more frequently as circumstances require, at fair value as determined in good faith by our board of directors in accordance with our valuation policy, which is at all times consistent with GAAP. See *Item 8.—Financial Statements and Supplementary Data—Note 2. Summary of Significant Accounting Policies* or *Note 4. Fair Value* for additional information on valuations.

Our board of directors utilizes the services of one or more independent third-party valuation firms to aid it in determining the fair value with respect to our material unquoted assets in accordance with our valuation policy. The inputs into the determination of fair value of these investments may require significant management judgment or estimation. Even if observable market data is available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information.

The types of factors that the board of directors takes into account in determining the fair value of our investments generally include, as appropriate: available market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business, comparisons of financial ratios of peer companies that are public, comparable merger and acquisition transactions and the principal market and enterprise values. Since these valuations, and particularly

valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

Due to this uncertainty, our fair value determinations may cause our net asset value, on any given date, to be materially understated or overstated. In addition, investors purchasing our common stock based on an overstated net asset value would pay a higher price than the realizable value that our investments might warrant.

We may adjust quarterly the valuation of our portfolio to reflect our board of directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as net change in unrealized appreciation or depreciation.

Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed.

We depend on the investment judgment, skill and relationships of the investment professionals of the Investment Adviser, particularly Steven B. Klinsky, Robert A. Hamwee and John R. Kline, as well as other key personnel to identify, evaluate, negotiate, structure, execute, monitor and service our investments. The Investment Adviser, as an affiliate of New Mountain Capital, is supported by New Mountain Capital's team, which as of December 31, 2017 consisted of approximately 130 employees and senior advisors of New Mountain Capital and its affiliates to fulfill its obligations to us under the Investment Management Agreement. The Investment Adviser may also depend upon New Mountain Capital to obtain access to investment opportunities originated by the professionals of New Mountain Capital and its affiliates. Our future success depends to a significant extent on the continued service and coordination of the key investment personnel of the Investment Adviser. The departure of any of these individuals could have a material adverse effect on our ability to achieve our investment objective.

The Investment Committee, which provides oversight over our investment activities, is provided by the Investment Adviser. The Investment Committee currently consists of five members. The loss of any member of the Investment Committee or of other senior professionals of the Investment Adviser and its affiliates without suitable replacement could limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition, results of operation and cash flows. To achieve our investment objective, the Investment Adviser may hire, train, supervise and manage new investment professionals to participate in its investment selection and monitoring process. If the Investment Adviser is unable to find investment professionals or do so in a timely manner, our business, financial condition and results of operations could be adversely affected.

The Investment Adviser has limited experience managing a BDC or a RIC, which could adversely affect our business.

Other than us, the Investment Adviser has not previously managed a BDC or a RIC. The 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to the other investment vehicles previously managed by the investment professionals of the Investment Adviser. For example, under the 1940 Act, BDCs are required to invest at least 70.0% of their total assets primarily in securities of qualifying U.S. private or thinly traded companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Moreover, qualification for taxation as a RIC under subchapter M of the Code requires satisfaction of source-of-income, asset diversification and Annual Distribution Requirements. The failure to comply with these provisions in a timely manner could prevent us from qualifying as a BDC or as a RIC and could force us to pay unexpected taxes and penalties, which would have a material adverse effect on our performance. The Investment Adviser's lack of experience in managing a portfolio of assets under the constraints applicable to BDCs and RICs may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. If we fail to maintain our status as a BDC or tax treatment as a RIC, our operating flexibility could be significantly reduced.

We operate in a highly competitive market for investment opportunities and may not be able to compete effectively.

We compete for investments with other BDCs and investment funds (including private equity and hedge funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than us. Furthermore, many of our competitors have greater experience operating under, or are not subject to, the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source-of-income, asset diversification and distribution requirements that we must satisfy to maintain our tax treatment as a RIC. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to do.

We may lose investment opportunities if our pricing, terms and structure do not match those of our competitors. With respect to the investments that we make, we do not seek to compete based primarily on the interest rates we may offer, and we believe that some of our competitors may make loans with interest rates that may be lower than the rates we offer. In the secondary market for acquiring existing loans, we expect to compete generally on the basis of pricing terms. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. If we are forced to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. Part of our competitive advantage stems from the fact that we believe the market for middle market lending is underserved by traditional bank lenders and other financial sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. We may also compete for investment opportunities with accounts managed by the Investment Adviser or its affiliates. Although the Investment Adviser allocates opportunities in accordance with its policies and procedures, allocations to such other accounts reduces the amount and frequency of opportunities available to us and may not be in our best interests and, consequently, our stockholders. Moreover, the performance of investment opportunities is not known at the time of allocation. If we are not able to compete effectively, our business, financial condition and results of operations may be adversely affected, thus affecting our business, financial condition and results of operations. Because of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities that we identify or that we will be able to fully invest our available capital.

Our business, results of operations and financial condition depend on our ability to manage future growth effectively.

Our ability to achieve our investment objective and to grow depends on the Investment Adviser's ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Investment Adviser's structuring of the investment process, its ability to provide competent, attentive and efficient services to us and its ability to access financing on acceptable terms. The Investment Adviser has substantial responsibilities under the Investment Management Agreement and may also be called upon to provide managerial assistance to our eligible portfolio companies. These demands on the time of the Investment Adviser and its investment professionals may distract them or slow our rate of investment. In order to grow, we and the Investment Adviser may need to retain, train, supervise and manage new investment professionals. However, these investment professionals may not be able to contribute effectively to the work of the Investment Adviser. If we are unable to manage our future growth effectively, our business, results of operations and financial condition could be materially adversely affected.

The management fee and incentive fee may induce the Investment Adviser to make speculative investments.

The incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are risky or more speculative than would be the case in the absence of such compensation arrangement, which could result in higher investment losses, particularly during cyclical economic downturns. The incentive fee payable to the Investment Adviser is calculated based on a percentage of our return on investment capital. This may encourage the Investment Adviser to use leverage to increase the return on our investments. In addition, because the base management fee is payable based upon our gross assets, which includes any borrowings for investment purposes, but excludes borrowings under the SLF Credit Facility and cash and cash equivalents for investment purposes, the Investment Adviser may be further encouraged to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock.

The incentive fee payable to the Investment Adviser also may create an incentive for the Investment Adviser to invest in instruments that have a deferred interest feature, even if such deferred payments would not provide the cash necessary to pay current distributions to our stockholders. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the investment's term, if at all. Our net investment income used to calculate the income portion of the incentive fee, however, includes accrued interest. Thus, a portion of the incentive fee would be based on income that we have not yet received in cash and may never receive in cash if the portfolio company is unable to satisfy such interest payment obligations. In addition, the "catch-up" portion of the incentive fee may encourage the Investment Adviser to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in timing and dividend amounts.

We may be obligated to pay the Investment Adviser incentive compensation even if we incur a loss.

The Investment Adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our Pre-Incentive Fee Net Investment Income for that quarter (before deducting incentive compensation) above a performance threshold for that quarter. Accordingly, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our Pre-Incentive Fee Net Investment Income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that it may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our

statement of operations for that quarter. Thus, we may be required to pay the Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

The incentive fee we pay to the Investment Adviser with respect to capital gains may be effectively greater than 20.0%.

As a result of the operation of the cumulative method of calculating the capital gains portion of the incentive fee we pay to the Investment Adviser, the cumulative aggregate capital gains fee received by the Investment Adviser could be effectively greater than 20.0%, depending on the timing and extent of subsequent net realized capital losses or net unrealized depreciation. We cannot predict whether, or to what extent, this payment calculation would affect your investment in our common stock.

We borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us.

We borrow money as part of our business plan. Borrowings, also known as leverage, magnify the potential for gain or loss on invested equity capital and may, consequently, increase the risk of investing in us. We expect to continue to use leverage to finance our investments, through senior securities issued by banks and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to claims of our common stockholders. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had it not leveraged. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have had it not borrowed. Such a decline could adversely affect our ability to make common stock distribution payments. In addition, because our investments may be illiquid, we may be unable to dispose of them or to do so at a favorable price in the event we need to do so if we are unable to refinance any indebtedness upon maturity and, as a result, we may suffer losses. Leverage is generally considered a speculative investment technique.

Our ability to service any debt that we incur depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. Moreover, as the Investment Adviser's management fee is payable to the Investment Adviser based on gross assets, including those assets acquired through the use of leverage, the Investment Adviser may have a financial incentive to incur leverage which may not be consistent with our interests and the interests of our common stockholders. In addition, holders of our common stock will, indirectly, bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to the Investment Adviser.

At December 31, 2017, we had \$312.4 million, \$122.5 million, \$155.3 million, \$145.0 million, and \$150.0 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. The Holdings Credit Facility, the NMFC Credit Facility, the SBA-guaranteed debentures and the Unsecured Notes had weighted average interest rates of 3.3%, 3.6%, 3.1% and 5.2%, respectively, for the year ended December 31, 2017. The interest rate on the Convertible Notes is 5.0% per annum.

If we are unable to comply with the covenants or restrictions in our borrowings, our business could be materially adversely affected.

The Holdings Credit Facility includes covenants that, subject to exceptions, restrict our ability to pay distributions, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The Holdings Credit Facility also includes a change of control provision that accelerates the indebtedness under the facility in the event of certain change of control events. Complying with these restrictions may prevent us from taking actions that we believe would help us grow our business or are otherwise consistent with our investment objective. These restrictions could also limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. In addition, the restrictions contained in the Holdings Credit Facility could limit our ability to make distributions to our stockholders in certain circumstances, which could result in us failing to qualify as a RIC and thus becoming subject to corporate-level U.S. federal income tax (and any applicable state and local taxes).

The NMFC Credit Facility includes customary covenants, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants, as well as customary events of default.

Our Convertible Notes are subject to certain covenants, including covenants requiring us to provide financial information to the holders of the Convertible Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions. In addition, if certain corporate events occur, holders of the Convertible Notes may require us to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

Our Unsecured Notes are subject to certain covenants, including covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Internal Revenue Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under our other indebtedness or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy. In addition, we are obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the applicable credit facility that would permit the lenders thereunder to declare all amounts outstanding to be due and payable. In such an event, we may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under the credit facilities could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. We may not be granted waivers or amendments to the credit facilities if for any reason we are unable to comply with it, and we may not be able to refinance the credit facilities on terms acceptable to us, or at all.

We may enter into reverse repurchase agreements, which are another form of leverage.

We may enter into reverse repurchase agreements as part of our management of our investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, the payor will be required to repay the loan and correspondingly receive back its collateral. While used as collateral, the assets continue to pay principal and interest which are for our benefit.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired with the proceeds of a reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to repurchase under the reverse repurchase agreement. In addition, there is a risk that the market value of the securities effectively pledged by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are more than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, our net asset value would decline, and, in some cases, we may be worse off than if such instruments had not been used.

Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited.

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that uses complex derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to obtain additional debt financing, or if our borrowing capacity is materially reduced, our business could be materially adversely affected.

We may want to obtain additional debt financing, or need to do so upon maturity of our credit facilities, in order to obtain funds which may be made available for investments. The Holdings Credit Facility, the NMFC Credit Facility and the Convertible Notes mature on October 24, 2022, June 4, 2019 and June 15, 2019, respectively. Our \$90.0 million in aggregate principal amount of five-year unsecured notes will mature on May 15, 2021 (the "2016 Unsecured Notes") and our \$50.0 million in aggregate principal amount of five-year unsecured notes will mature on July 15, 2022 (the "2017A Unsecured Notes"). The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. If we are unable to increase, renew or replace any such facilities and enter into new debt financing facilities or other debt financing on commercially reasonable terms, our liquidity may be reduced significantly. In addition, if we are unable to repay amounts outstanding under any such facilities and are declared in default or are unable to renew or refinance these facilities, we may not be able to make new investments or operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, an

economic downturn or an operational problem that affects us or third parties, and could materially damage our business operations, results of operations and financial condition.

We may need to raise additional capital to grow.

We may need additional capital to fund new investments and grow. We may access the capital markets periodically to issue equity securities. In addition, we may also issue debt securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs and limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to grow. In addition, we are required to distribute at least 90.0% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to maintain our RIC status. As a result, these earnings will not be available to fund new investments. If we are unable to access the capital markets or if we are unable to borrow from financial institutions, we may be unable to grow our business and execute our business strategy fully, and our earnings, if any, could decrease, which could have an adverse effect on the value of our securities.

A renewed disruption in the capital markets and the credit markets could adversely affect our business.

As a BDC, we must maintain our ability to raise additional capital for investment purposes. If we are unable to access the capital markets or credit markets, we may be forced to curtail our business operations and may be unable to pursue new investment opportunities. The capital markets and the credit markets have experienced extreme volatility in recent periods, and, as a result, there have been and will likely continue to be uncertainty in the financial markets in general. Disruptions in the capital markets in recent years increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. In addition, a prolonged period of market illiquidity may cause us to reduce the volume of loans that we originate and/or fund and adversely affect the value of our portfolio investments. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and, consequently, could adversely impact our business, results of operations and financial condition.

If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act and contained in the Holdings Credit Facility, the NMFC Credit Facility, the Unsecured Notes. Any such failure would result in a default under such indebtedness and otherwise affect our ability to issue senior securities, borrow under the NMFC Credit Facility and pay distributions, which could materially impair our business operations. Our liquidity could be impaired further by our inability to access the capital or credit markets. For example, we cannot be certain that we will be able to renew our credit facilities as they mature or to consummate new borrowing facilities to provide capital for normal operations, including new originations, or reapply for SBIC licenses. In recent years, reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market turmoil and tightening of credit have led to increased market volatility and widespread reduction of business activity generally in recent years. In addition, adverse economic conditions due to these disruptive conditions could materially impact our ability to comply with the financial and other covenants in any existing or future credit facilities. If we are unable to comply with these covenants, this could materially adversely affect our business, results of operations and financial condition.

Changes in interest rates may affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, a significant change in market interest rates may have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

SBIC I and SBIC II are licensed by the SBA and is subject to SBA regulations.

On August 1, 2014 and August 25, 2017, respectively, our wholly-owned direct and indirect subsidiaries, SBIC I and SBIC II, received licenses to operate as SBICs under the 1958 Act and are regulated by the SBA. The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies, regulates the types of financings, prohibits investing in small businesses with certain characteristics or in certain industries and requires capitalization thresholds that limit distributions to us. Compliance with SBIC requirements may cause SBIC I and SBIC II to invest at less competitive rates in order to find investments that qualify under the SBA regulations.

The SBA regulations require, among other things, an annual periodic examination of a licensed SBIC by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations, and the performance of a financial audit by an independent auditor. If SBIC I and SBIC II fail to comply with applicable regulations, the SBA could, depending on the

severity of the violation, limit or prohibit SBIC I's and SBIC II's use of the debentures, declare outstanding debentures immediately due and payable, and/or limit SBIC I and SBIC II from making new investments. In addition, the SBA could revoke or suspend SBIC I's or SBIC II's licenses for willful or repeated violation of, or willful or repeated failure to observe, any provision of the 1958 Act or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because SBIC I and SBIC II are our wholly-owned direct and indirect subsidiaries.

SBA-guaranteed debentures are non-recourse to us, have a ten year maturity, and may be prepaid at any time without penalty. Pooling of issued SBA-guaranteed debentures occurs in March and September of each year. The interest rate of SBA-guaranteed debentures is fixed at the time of pooling at a market-driven spread over ten year U.S. Treasury Notes. The interest rate on debentures issued prior to the next pooling date is LIBOR plus 30 basis points. Leverage through SBA-guaranteed debentures is subject to required capitalization thresholds. Current SBA regulations limit the amount that any single SBIC may borrow to two tiers of leverage capped at \$150.0 million, where each tier is equivalent to the SBIC's regulatory capital, which generally equates to the amount of equity capital in the SBIC. In December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval.

RISKS RELATED TO OUR OPERATIONS

Because we intend to distribute substantially all of our income to our stockholders to maintain our status as a RIC, we will continue to need additional capital to finance our growth. If additional funds are unavailable or not available on favorable terms, our ability to grow may be impaired.

In order for us to qualify for the tax benefits available to RICs and to avoid payment of excise taxes, we intend to distribute to our stockholders substantially all of our annual taxable income. As a result of these requirements, we may need to raise capital from other sources to grow our business.

As a BDC, we are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities and excluding SBA-guaranteed debentures as permitted by exemptive relief obtained from the SEC, to total senior securities, which includes all of our borrowings with the exception of SBA-guaranteed debentures, of at least 200.0%. This requirement limits the amount that we may borrow. Since we continue to need capital to grow our investment portfolio, these limitations may prevent us from incurring debt and require us to raise additional equity at a time when it may be disadvantageous to do so. While we expect that we will be able to borrow and to issue additional debt securities and expect that we will be able to issue additional equity securities, which would in turn increase the equity capital available to us, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. In addition, as a BDC, we generally are not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available us, we may be forced to curtail or cease new investment activities, and our net asset value could decline.

SBIC I and SBIC II may be unable to make distributions to us that will enable us to meet or maintain our RIC tax treatment.

In order for us to continue to qualify for tax benefits available to RICs and to minimize corporate-level U.S. federal income tax, we must distribute to our stockholders, for each taxable year, at least 90.0% of our "investment company taxable income", which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, including investment company taxable income from SBIC I and SBIC II. We will be partially dependent on SBIC I and SBIC II for cash distributions to enable us to meet the RIC distribution requirements. SBIC I and SBIC II may be limited by SBA regulations governing SBICs from making certain distributions to us that may be necessary to maintain our tax treatment as a RIC. We may have to request a waiver of the SBA's restrictions for SBIC I and SBIC II to make certain distributions to maintain our RIC tax treatment. We cannot assure you that the SBA will grant such waiver and if SBIC I and SBIC II are unable to obtain a waiver, compliance with the SBA regulations may result in corporate-level U.S. federal income tax.

Our ability to enter into transactions with our affiliates is restricted.

As a BDC, we are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5.0% or more of our outstanding voting securities is an affiliate of ours for purposes of the 1940 Act. We are generally prohibited from buying or selling any securities (other than our securities) from or to an affiliate. The 1940 Act also prohibits certain "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of independent directors and, in some cases, the SEC. If a person acquires more than 25.0% of our voting securities, we are prohibited from buying or selling any security (other than our securities) from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security from or to any portfolio company of a

private equity fund managed by any affiliate of the Investment Adviser without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

The Investment Adviser has significant potential conflicts of interest with us and, consequently, your interests as stockholders which could adversely impact our investment returns.

Our executive officers and directors, as well as the current or future investment professionals of the Investment Adviser, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in your interests as stockholders. We are focused primarily on investing in the investments that we target, in the future, the investment professionals of the Investment Adviser and/or New Mountain Capital employees that provide services pursuant to the Investment Management Agreement may manage other funds which may from time to time have overlapping investment objectives with our own and, accordingly, may invest in, whether principally or secondarily, asset classes similar to those targeted by us. If this occurs, the Investment Adviser may face conflicts of interest in allocating investment opportunities to us and such other funds. Although the investment professionals endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by the Investment Adviser or persons affiliated with the Investment Adviser or that certain of these investment funds may be favored over us. When these investment professionals identify an investment, they may be forced to choose which investment fund should make the investment.

While we may co-invest with investment entities managed by the Investment Adviser or its affiliates to the extent permitted by the 1940 Act and the rules and regulations thereunder, the 1940 Act imposes significant limits on co-investment. On December 18, 2017, the SEC issued the Exemptive Order, which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and does not involve us or our stockholders overreaching on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objectives and strategies.

If the Investment Adviser forms other affiliates in the future, we may co-invest on a concurrent basis with such other affiliate, subject to compliance with applicable regulations and regulatory guidance or an exemptive order from the SEC and our allocation procedures. In addition, we pay management and incentive fees to the Investment Adviser and reimburse the Investment Adviser for certain expenses it incurs. As a result, investors in our common stock invest in us on a “gross” basis and receive distributions on a “net” basis after our expenses. Also, the incentive fee payable to the Investment Adviser may create an incentive for the Investment Adviser to pursue investments that are riskier or more speculative than would be the case in the absence of such compensation arrangements. Any potential conflict of interest arising as a result of the arrangements with the Investment Adviser could have a material adverse effect on our business, results of operations and financial condition.

The Investment Committee, the Investment Adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

The Investment Adviser’s investment professionals, Investment Committee or their respective affiliates may serve as directors of, or in a similar capacity with, companies in which we invest. In the event that material non-public information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us and our stockholders.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

Some of our portfolio investments are made in the form of securities that are not publicly traded. As a result, our board of directors determines the fair value of these securities in good faith. In connection with this determination, investment professionals from the Investment Adviser may provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, Steven B. Klinsky, a member of our board of directors, has an indirect pecuniary interest in the Investment Adviser. The participation of the Investment Adviser’s investment professionals in our valuation process, and the indirect pecuniary interest in the Investment Adviser by a member of our board of directors, could result in a conflict of interest as the Investment Adviser’s management fee is based, in part, on our gross assets and incentive fees are based, in part, on unrealized gains and losses.

Conflicts of interest may exist related to other arrangements with the Investment Adviser or its affiliates.

We have entered into a royalty-free license agreement with New Mountain Capital under which New Mountain Capital has agreed to grant us a non-exclusive, royalty-free license to use the name “New Mountain”. In addition, we reimburse the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, such as, but not limited to, the allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. This could create conflicts of interest that our board of directors must monitor.

The Investment Management Agreement with the Investment Adviser and the Administration Agreement with the Administrator were not negotiated on an arm’s length basis.

The Investment Management Agreement and the Administration Agreement were negotiated between related parties. In addition, we may choose not to enforce, or to enforce less vigorously, our respective rights and remedies under these agreements because of our desire to maintain our ongoing relationship with the Investment Adviser, the Administrator and their respective affiliates. Any such decision, however, could cause us to breach our fiduciary obligations to our stockholders.

The Investment Adviser’s liability is limited under the Investment Management Agreement, and we have agreed to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.

Under the Investment Management Agreement, the Investment Adviser does not assume any responsibility other than to render the services called for under that agreement, and it is not responsible for any action of our board of directors in following or declining to follow the Investment Adviser’s advice or recommendations. Under the terms of the Investment Management Agreement, the Investment Adviser, its officers, members, personnel, any person controlling or controlled by the Investment Adviser are not liable for acts or omissions performed in accordance with and pursuant to the Investment Management Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of the Investment Adviser’s duties under the Investment Management Agreement. In addition, we have agreed to indemnify the Investment Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted pursuant to authority granted by the Investment Management Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person’s duties under the Investment Management Agreement. These protections may lead the Investment Adviser to act in a riskier manner than it would when acting for its own account.

The Investment Adviser can resign upon 60 days’ notice, and a suitable replacement may not be found within that time, resulting in disruptions in our operations that could adversely affect our business, results of operations and financial condition.

Under the Investment Management Agreement, the Investment Adviser has the right to resign at any time upon 60 days’ written notice, whether a replacement has been found or not. If the Investment Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If a replacement is not able to be found on a timely basis, our business, results of operations and financial condition and our ability to pay distributions are likely to be materially adversely affected and the market price of our common stock may decline. In addition, if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Investment Adviser and its affiliates, the coordination of its internal management and investment activities is likely to suffer. Even if we are able to retain comparable management, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

The Administrator can resign upon 60 days’ notice from its role as Administrator under the Administration Agreement, and a suitable replacement may not be found, resulting in disruptions that could adversely affect our business, results of operations and financial condition.

The Administrator has the right to resign under the Administration Agreement upon 60 days’ written notice, whether a replacement has been found or not. If the Administrator resigns, it may be difficult to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If a replacement is not found quickly, our business, results of operations and financial condition, as well as our ability to pay distributions, are likely to be adversely affected, and the market price of our common stock may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by the Administrator. Even if a comparable service provider or individuals to perform such services are retained, whether internal or external, their integration into our

business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

If we fail to maintain our status as a BDC, our business and operating flexibility could be significantly reduced.

We qualify as a BDC under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70.0% of their total assets in specified types of securities, primarily in private companies or thinly-traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw their respective election as a BDC. If we decide to withdraw our election, or if we otherwise fail to qualify, or maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with these regulations would significantly decrease our operating flexibility and could significantly increase our cost of doing business.

If we do not invest a sufficient portion of our assets in qualifying assets, we could be precluded from investing in certain assets or could be required to dispose of certain assets, which could have a material adverse effect on our business, financial condition and results of operations.

As a BDC, we are prohibited from acquiring any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets. We may acquire in the future other investments that are not “qualifying assets” to the extent permitted by the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we would be prohibited from investing in additional assets, which could have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to come into compliance with the 1940 Act. If we need to dispose of these investments quickly, it may be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if a buyer is found, it may have to sell the investments at a substantial loss.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a BDC, we are not permitted to acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than \$250.0 million at the time of such investment.

Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies.

Our business requires a substantial amount of capital. We may acquire additional capital from the issuance of senior securities, including borrowing under a credit facility or other indebtedness. In addition, we may also issue additional equity capital, which would in turn increase the equity capital available to us. However, we may not be able to raise additional capital in the future on favorable terms or at all.

We may issue debt securities, preferred stock, and we may borrow money from banks or other financial institutions, which we refer to collectively as “senior securities”, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200.0% after each issuance of senior securities. As a result of our SEC exemptive relief, we are permitted to exclude our SBA-guaranteed debentures from the definition of senior securities in the 200.0% asset coverage ratio we are required to maintain under the 1940 Act. If our asset coverage ratio is not at least 200.0%, we would be unable to issue senior securities, and if we had senior securities outstanding (other than any indebtedness issued in consideration of a privately arranged loan, such as any indebtedness outstanding under the Holdings Credit Facility and NMFC Credit Facility), we would be unable to make distributions to our stockholders. However, at December 31, 2017, our only senior securities outstanding were indebtedness under the Holdings Credit Facility, NMFC Credit Facility, Convertible Notes, Unsecured Notes and therefore at December 31, 2017, we would not have been precluded from paying distributions. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

The Holdings Credit Facility matures on October 24, 2022 and permits borrowings of \$495.0 million as of December 31, 2017. The Holdings Credit Facility had \$312.4 million in debt outstanding as of December 31, 2017. The NMFC Credit Facility matures on June 4, 2019 and permits borrowings of \$122.5 million as of December 31, 2017. The NMFC Credit Facility had \$122.5 million in debt outstanding as of December 31, 2017. The Convertible Notes mature on June 15, 2019. The

Convertible Notes had \$155.3 million in debt outstanding as of December 31, 2017. The 2016 Unsecured Notes and 2017A Unsecured Notes mature on May 15, 2021 and July 15, 2022, respectively, and had \$90.0 million and \$55.0 million, respectively, in debt outstanding as of December 31, 2017. The SBA-guaranteed debentures have ten year maturities and will begin to mature on March 1, 2025. As of December 31, 2017, \$150.0 million of SBA-guaranteed debentures were outstanding.

In addition, we may in the future seek to securitize other portfolio securities to generate cash for funding new investments. To securitize loans, we would likely create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. We would then sell interests in the subsidiary on a non-recourse basis to purchasers and we would retain all or a portion of the equity in the subsidiary. If we are unable to successfully securitize its loan portfolio, which must be done in compliance with the relevant restrictions in the Holdings Credit Facility, our ability to grow our business or fully execute our business strategy could be impaired and our earnings, if any, could decrease. The securitization market is subject to changing market conditions, and we may not be able to access this market when it would be otherwise deemed appropriate. Moreover, the successful securitization of our portfolio might expose us to losses as the residual investments in which we do not sell interests will tend to be those that are riskier and more apt to generate losses. The 1940 Act also may impose restrictions on the structure of any securitization.

We may also obtain capital through the issuance of additional equity capital. As a BDC, we generally are not able to issue or sell our common stock at a price below net asset value per share. If our common stock trades at a discount to our net asset value per share, this restriction could adversely affect our ability to raise equity capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below our net asset value per share of the common stock if our board of directors and independent directors determine that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any underwriting commission or discount). If we raise additional funds by issuing more shares of our common stock, or if we issue senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders may decline and you may experience dilution.

Our business model in the future may depend to an extent upon our referral relationships with private equity sponsors, and the inability of the investment professionals of the Investment Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business strategy.

If the investment professionals of the Investment Adviser fail to maintain existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the investment professionals of the Investment Adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that any relationships they currently or may in the future have will generate investment opportunities for us.

We may experience fluctuations in our annual and quarterly results due to the nature of our business.

We could experience fluctuations in our annual and quarterly operating results due to a number of factors, some of which are beyond our control, including the ability or inability of us to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities acquired and the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in the markets in which we operate and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to your interests as stockholders.

Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. As a result, our board of directors may be able to change our investment policies and objectives without any input from our stockholders. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. Under Delaware law, we also cannot be dissolved without prior stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the market price of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions to our stockholders.

We will be subject to corporate-level U.S. federal income tax on all of our income if we are unable to maintain tax treatment as a RIC under Subchapter M of the Code, which would have a material adverse effect on our financial performance.

Although we intend to continue to qualify annually as a RIC under Subchapter M of the Code, no assurance can be given that we will be able to maintain our RIC tax treatment. To maintain RIC status and be relieved of U.S. federal income

taxes on income and gains distributed to our stockholders, we must meet the annual distribution, source-of-income and asset diversification requirements described below.

- The Annual Distribution Requirement for a RIC will be satisfied if we distribute (or are deemed to distribute) to our stockholders on an annual basis at least 90.0% of our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, if any. Because we use debt financing, we are subject to an asset coverage ratio requirement under the 1940 Act, and we are subject to certain financial covenants contained in the Holdings Credit Facility and other debt financing agreements (as applicable). This asset coverage ratio requirement and these financial covenants could, under certain circumstances, restrict us from making distributions to our stockholders, which distributions are necessary for us to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, and thus are unable to make sufficient distributions to our stockholders, we could fail to qualify for RIC tax treatment and thus become subject to certain corporate-level U.S. federal income tax (and any applicable state and local taxes).
- The source-of-income requirement will be satisfied if at least 90.0% of our allocable share of our gross income for each year is derived from dividends, interest payments with respect to loans of certain securities, gains from the sale of stock or other securities, net income from certain “qualified publicly traded partnerships” or other income derived with respect to our business of investing in such stock or securities.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50.0% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other such securities if such other securities of any one issuer do not represent more than 5.0% of the value of our assets or more than 10.0% of the outstanding voting securities of the issuer; and no more than 25.0% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by it and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly traded partnerships”. Failure to meet these requirements may result in us having to dispose of certain investments quickly in order to prevent the loss of our RIC status. Because most of our investments are intended to be in private companies, and therefore may be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to maintain our tax treatment as a RIC for any reason, and we do not qualify for certain relief provisions under the Code, we would be subject to corporate-level U.S. federal income tax (and any applicable state and local taxes). In this event, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions, which would have a material adverse effect on our financial performance.

You may have current tax liabilities on distributions you reinvest in our common stock.

Under the dividend reinvestment plan, if you own shares of our common stock registered in your own name, you will have all cash distributions automatically reinvested in additional shares of our common stock unless you opt out of the dividend reinvestment plan by delivering notice by phone, internet or in writing to the plan administrator at least three days prior to the payment date of the next dividend or distribution. If you have not “opted out” of the dividend reinvestment plan, you will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your U.S. federal income tax liability on the value of the common stock received.

We may not be able to pay you distributions on our common stock, our distributions to you may not grow over time and a portion of our distributions to you may be a return of capital for U.S. federal income tax purposes.

We intend to pay quarterly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will continue to achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we are unable to satisfy the asset coverage test applicable to us as a BDC, or if we violate certain covenants under the Holdings Credit Facility, the NMFC Credit Facility, or the Unsecured Notes, our ability to pay distributions to our stockholders could be limited. All distributions are paid at the discretion of our board of directors and depend on our earnings, financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, compliance with covenants under the Holdings Credit Facility, the NMFC Credit Facility and the Unsecured Notes, and such other factors as our board of directors may deem relevant from time to time. The distributions that we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital for U.S. federal income tax purposes.

We may have difficulty paying our required distributions if we recognize taxable income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we include in our taxable income our allocable share of certain amounts that we have not yet received in cash, such as original issue discount or accruals on a contingent payment debt instrument, which may occur if we receive warrants in connection with the origination of a loan or possibly in other circumstances or contracted PIK interest and dividends, which generally represents contractual interest added to the loan balance and due at the end of the loan term. Our allocable share of such original issue discount and PIK interest are included in our taxable income before we receive any corresponding cash payments. We also may be required to include in our taxable income our allocable share of certain other amounts that we will not receive in cash.

Because in certain cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty making distributions to our stockholders that will be sufficient to enable us to meet the Annual Distribution Requirement necessary for us to qualify for tax treatment as a RIC. Accordingly, we may need to sell some of our assets at times and/or at prices that we would not consider advantageous. We may need to raise additional equity or debt capital, or we may need to forego new investment opportunities or otherwise take actions that are disadvantageous to our business (or be unable to take actions that are advantageous to our business) to enable us to make distributions to our stockholders that will be sufficient to enable us to meet the annual distribution requirement. If we are unable to obtain cash from other sources to enable us to meet the annual distribution requirement, we may fail to qualify for the U.S. federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level U.S. federal income tax (and any applicable state and local taxes).

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. Our portfolio companies are subject to U.S. federal, state and local laws and regulations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, any of which could materially adversely affect our business, including with respect to the types of investments we are permitted to make, and your interests as stockholders potentially with retroactive effect. In addition, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. These changes could result in material changes to our strategies which may result in our investment focus shifting from the areas of expertise of the Investment Adviser to other types of investments in which the Investment Adviser may have less expertise or little or no experience. Any such changes, if they occur, could have a material adverse effect on our business, results of operations and financial condition and, consequently, the value of your investment in us.

Over the last several years, there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether these regulations will be implemented or what form they will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. The U.S. House of Representatives and U.S. Senate recently passed tax reform legislation, which the President signed into law. Such legislation will make many changes to the Code, including significant changes to the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Our business and operations could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or

shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert the attention of our management and board of directors and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation or activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation or shareholder activism.

The effect of global climate change may impact the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

In December 2015 the United Nations, of which the U.S. is a member, adopted a climate accord (the "Paris Agreement") with the long-term goal of limiting global warming and the short-term goal of significantly reducing greenhouse gas emissions. Although the U.S. ratified the Paris Agreement on November 4, 2016, the current administration announced the U.S. would cease participation. As a result, some of our portfolio companies may become subject to new or strengthened regulations or legislation, at least through November 4, 2020 (the earliest date the U.S. may withdraw from the Paris Agreement), which could increase their operating costs and/or decrease their revenues.

Pending legislation may allow us to incur additional leverage.

As a BDC, under the 1940 Act we generally are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200.0% (i.e., the amount of debt may not exceed 50.0% of the value of our total assets or we may borrow an amount equal to 100.0% of net assets). The U.S. Senate recently introduced the Small Business Credit Availability Act which, if passed, would modify this section of the 1940 Act and increase the amount of debt that BDCs may incur by modifying the asset coverage percentage from 200% to 150%. As a result, we may be able to incur additional indebtedness in the future and therefore your risk of an investment in us may increase.

In addition, in December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval. This new legislation may allow us to issue additional SBIC debentures above the \$225.0 million of SBA-guaranteed debentures previously permitted pending application for and receipt of additional SBIC licenses. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting and other expenses, which are paid by us, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or the "Sarbanes-Oxley Act", and other rules implemented by the SEC.

Efforts to comply with Section 404 of the Sarbanes-Oxley Act involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.

We are subject to the Sarbanes-Oxley Act, and the related rules and regulations promulgated by the SEC. Under current SEC rules since our fiscal year ending December 31, 2012, our management has been required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, and rules and regulations of the SEC thereunder. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. As a result, we expect to continue to incur additional expenses, which may negatively impact our financial performance and our ability to make distributions to our stockholders. This process also may result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of any evaluation, testing and remediation actions or the impact of the same on our operations, and we are not able to ensure that the process is effective or that our internal control over financial reporting is or will continue to be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, we and, consequently, the market price of our common stock may be adversely affected.

Our business is highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on the communications and information systems of the Investment Adviser and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and, consequently, negatively affect the market price of our common stock and our ability to pay distributions to our stockholders. In addition, because many of our portfolio companies operate and rely on network infrastructure and enterprise applications and internal technology systems for development, marketing, operational, support and other business activities, a disruption or failure of any or all of these systems in the event of a major telecommunications failure, cyber-attack, fire, earthquake, severe weather conditions or other catastrophic event could cause system interruptions, delays in product development and loss of critical data and could otherwise disrupt their business operations.

Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

RISKS RELATING TO OUR INVESTMENTS

Our investments in portfolio companies may be risky, and we could lose all or part of any of our investments.

Investments in small and middle market businesses are highly speculative and involve a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently experienced. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of any equity components of our investments;
- may have shorter operating histories, narrower product lines, smaller market shares and/or more significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence;
- may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
and
- generally have less publicly available information about their businesses, operations and financial condition.

In addition, in the course of providing significant managerial assistance to certain of our eligible portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management time and resources.

Our investment strategy, which is focused primarily on privately held companies, presents certain challenges, including the lack of available information about these companies.

We invest primarily in privately held companies. There is generally little public information about these companies, and, as a result, we must rely on the ability of the Investment Adviser to obtain adequate information to evaluate the potential returns from, and risks related to, investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. They are, thus, generally more vulnerable to economic downturns and may experience substantial variations in operating results. These factors could adversely affect our investment returns.

Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.

Our investments are almost entirely rated below investment grade or may be unrated, which are often referred to as “leveraged loans”, “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. High yield securities are regarded as having predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, high yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default.

Our portfolio may be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our investments are concentrated.

Our portfolio may be concentrated in a limited number of industries. For example, as of December 31, 2017, our investments in the business services and the software industries represented approximately 31.9% and 16.3%, respectively, of the fair value of our portfolio. A downturn in any particular industry in which we are invested could significantly impact the portfolio companies operating in that industry, and accordingly, the aggregate returns that we realize from our investment in such portfolio companies.

Specifically, companies in the business services industry are subject to general economic downturns and business cycles, and will often suffer reduced revenues and rate pressures during periods of economic uncertainty. In addition, companies in the software industry often have narrow product lines and small market shares. Because of rapid technological change, the average selling prices of products and some services provided by software companies have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by software companies in which we invest may decrease over time. If an industry in which we have significant investments suffers from adverse business or economic conditions, as these industries have to varying degrees, a material portion of our investment portfolio could be affected adversely, which, in turn, could adversely affect our financial position and results of operations.

If we make unsecured investments, those investments might not generate sufficient cash flow to service their debt obligations to us.

We may make unsecured investments. Unsecured investments may be subordinated to other obligations of the obligor. Unsecured investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. If we make an unsecured investment in a portfolio company, that portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may increase the risk that its operations might not generate sufficient cash to service its debt obligations.

If we invest in the securities and obligations of distressed and bankrupt issuers, we might not receive interest or other payments.

From time to time, we may invest in other types of investments which are not our primary focus, including investments in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments.

Defaults by our portfolio companies may harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold.

We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower's business or exercise control over a borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors.

The lack of liquidity in our investments may adversely affect our business.

We invest, and will continue to invest, in companies whose securities are not publicly traded and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required or otherwise choose to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. Because most of our investments are illiquid, we may be unable to dispose of them in which case we could fail to qualify as a RIC and/or a BDC, or we may be unable to do so at a favorable price, and, as a result, we may suffer losses.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company's securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent sale occurs, we will use the pricing indicated by the external event to corroborate our valuation. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to make follow-on investments in our portfolio companies, the value of our investment portfolio could be adversely affected.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to (i) increase or maintain in whole or in part our equity ownership percentage, (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or may otherwise lack sufficient funds to make these investments. We have the discretion to make follow-on investments, subject to the availability of capital resources. If we fail to make follow-on investments, the continued viability of a portfolio company and our investment may, in some circumstances, be jeopardized and we could miss an opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to BDC requirements that would prevent such follow-on investments or such follow-on investments would adversely impact our ability to maintain our RIC status.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest in portfolio companies at all levels of the capital structure. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, these debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. In addition, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying the senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The disposition of our investments may result in contingent liabilities.

Most of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower’s business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender’s liability claim, including as a result of actions taken in rendering significant managerial assistance.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans to portfolio companies will be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company’s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company’s remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements entered into with the holders of first priority senior debt. Under an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral, the ability to control the conduct of such proceedings, the approval of amendments to collateral documents; releases of liens on the collateral and waivers of past defaults under collateral documents. We may not have the ability to control or direct these actions, even if our rights are adversely affected.

We generally do not control our portfolio companies.

Although we have taken and may in the future take controlling equity positions in our portfolio companies from time to time, we generally do not control most of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants that limit the business and operations of our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the management of such company may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity of the investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event that we disagree with the actions of a portfolio company as readily as we would otherwise like to or at favorable prices which could decrease the value of our investments.

Economic recessions, downturns or government spending cuts could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay its debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A number of our portfolio companies provide services to the U.S. government. Changes in the U.S. government's priorities and spending, or significant delays or reductions in appropriations of the U.S. government's funds, could have a material adverse effect on the financial position, results of operations and cash flows of such portfolio companies.

A number of our portfolio companies derive a substantial portion of their revenue from the U.S. government. Levels of the U.S. government's spending in future periods are very difficult to predict and subject to significant risks. In addition, significant budgetary constraints may result in further reductions to projected spending levels. In particular, U.S. government expenditures are subject to the potential for automatic reductions, generally referred to as "sequestration." Sequestration occurred during 2013, and may occur again in the future, resulting in significant additional reductions to spending by the U.S. government on both existing and new contracts as well as disruption of ongoing programs. Even if sequestration does not occur again in the future, we expect that budgetary constraints and ongoing concerns regarding the U.S. national debt will continue to place downward pressure on U.S. government spending levels. Due to these and other factors, overall U.S. government spending could decline, which could result in significant reductions to the revenues, cash flow and profits of our portfolio companies that provide services to the U.S. government.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, subject to maintenance of our RIC status, we will generally reinvest these proceeds in temporary investments, pending our future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may not realize gains from our equity investments.

When we invest in portfolio companies, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do

realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests.

Our performance may differ from our historical performance as our current investment strategy includes significantly more primary originations in addition to secondary market purchases.

Historically, our investment strategy consisted primarily of secondary market purchases in debt securities. We adjusted that investment strategy to also include significantly more primary originations. While loans that we originate and loans we purchase in the secondary market face many of the same risks associated with the financing of leveraged companies, we may be exposed to different risks depending on specific business considerations for secondary market purchases or origination of loans. Primary originations require substantially more time and resources for sourcing, diligencing and monitoring investments, which may consume a significant portion of our resources. Further, the valuation process for primary originations may be more cumbersome and uncertain due to the lack of comparable market quotes for the investment and would likely require more frequent review by a third-party valuation firm. This may result in greater costs for us and fluctuations in the quarterly valuations of investments that are primary originations. As a result, this strategy may result in different returns from these investments than the types of returns historically experienced from secondary market purchases of debt securities.

We may be subject to additional risks if we invest in foreign securities and/or engage in hedging transactions.

The 1940 Act generally requires that 70.0% of our investments be in issuers each of whom is organized under the laws of, and has its principal place of business in, any state of the U.S., the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the U.S. Our investment strategy does not presently contemplate significant investments in securities of non-U.S. companies. However, we may desire to make such investments in the future, to the extent that such transactions and investments are permitted under the 1940 Act. We expect that these investments would focus on the same types of investments that we make in U.S. middle market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in foreign companies could expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Investments denominated in foreign currencies would be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or that if we do, such strategies will be effective.

Engaging in hedging transactions would also, indirectly, entail additional risks to our stockholders. Although it is not currently anticipated that we would engage in hedging transactions as a principal investment strategy, if we determined to engage in hedging transactions, we generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions.

These hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that we would not be able to enter into a hedging transaction at an acceptable price. If we choose to engage in hedging transactions, there can be no assurances that we will achieve the intended benefits of such transactions and, depending on the degree of exposure such transactions could create, such transactions may expose us to risk of loss.

While we may enter into these types of transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial

commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that uses complex derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, we may incur greater and indirect costs to engage in derivatives transactions or financial commitment transactions, and our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. The future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

RISKS RELATING TO OUR SECURITIES

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- price and volume fluctuations in the overall stock market or in the market for BDCs from time to time;
- investor demand for shares of our common stock;
- significant volatility in the market price and trading volume of securities of registered closed-end management investment companies, BDCs or other financial services companies, which is not necessarily related to the operating performance of these companies;
- the inability to raise equity capital;
- our inability to borrow money or deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- our loss of status as or ability to operate as a BDC;
- our failure to qualify as a RIC, loss of RIC status or ability to operate as a RIC;

- actual or anticipated changes in our earnings or fluctuations in our operating results;
- changes in the value of our portfolio of investments;
- general economic conditions, trends and other external factors;
- departures of key personnel;
or
- loss of a major source of funding.

In addition, we are required to continue to meet certain listing standards in order for our common stock to remain listed on the New York Stock Exchange ("NYSE"). If we were to be delisted by the NYSE, the liquidity of our common stock would be materially impaired.

Investing in our common stock may involve an above average degree of risk.

The investments we may make may result in a higher amount of risk, volatility or loss of principal than alternative investment options. These investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock could materially adversely affect the prevailing market prices for our common stock. If substantial amounts of our common stock were sold, this could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Certain provisions of our certificate of incorporation and bylaws, as well as aspects of the Delaware General Corporation Law could deter takeover attempts and have an adverse impact on the price of our common stock.

Our certificate of incorporation and bylaws as well as the Delaware General Corporation Law contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. Among other things, our certificate of incorporation and bylaws:

- provide for a classified board of directors, which may delay the ability of our stockholders to change the membership of a majority of our board of directors;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- do not provide for cumulative voting;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- provide that our directors may be removed only for cause;
- require supermajority voting to effect certain amendments to our certificate of incorporation and bylaws;
and
- require stockholders to provide advance notice of new business proposals and director nominations under specific procedures.

These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. The Holdings Credit Facility, the NMFC Credit Facility, and the Unsecured Notes also include covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, make restricted payments, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The Holdings Credit Facility, the NMFC Credit Facility, and the Unsecured Notes also include change of control provisions that accelerate the indebtedness (or require prepayment of such indebtedness) under these agreements in the event of certain change of control events.

Shares of our common stock have traded at a discount from net asset value and may do so in the future.

Shares of closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. In part as a result of adverse economic conditions and increasing pressure within the financial sector of which we are a part, our common stock has at times traded below our net asset value per share since our IPO on May 19, 2011. Our shares could once again trade at a discount to net asset value. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. If our common stock trades below our net asset value, we will generally not be able to issue additional shares of our common

stock without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

You may not receive distributions or our distributions may decline or may not grow over time.

We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. In particular, our future distributions are dependent upon the investment income we receive on our portfolio investments. To the extent such investment income declines, our ability to pay future distributions may be harmed.

If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock.

We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings, if any, on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of our board of directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of our board of directors at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, if any, or the terms of our credit facilities, if any, might impair our ability to maintain our tax treatment as a RIC for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our tax treatment as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operations. Our principal executive offices are located at 787 Seventh Avenue, 48th Floor, New York, New York 10019, where we occupy our office space pursuant to our Administration Agreement with the Administrator. The office space is shared with our Investment Adviser, our Administrator and New Mountain Capital. We believe that our current office facilities are suitable and adequate for our business as currently conducted.

Item 3. Legal Proceedings

On May 3, 2013, we entered into a collateralized securities purchase and put agreement (the “SPP Agreement”) with a private hedge fund. Under the SPP Agreement, we purchased twenty million Class E Preferred Units of Black Elk Energy Offshore Operations, LLC (“Black Elk”) for \$20.0 million with a corresponding obligation of the private hedge fund to repurchase the preferred units for \$20.0 million plus other amounts due under the SPP Agreement. The majority owner of Black Elk was the private hedge fund. In August 2014, we received \$20.54 million, the full amount due under the SPP Agreement.

In August 2017, a trustee (the “Trustee”) for Black Elk informed us that the Trustee intended to assert a fraudulent conveyance claim (the “Claim”) against us and one of our affiliates seeking the return of \$20.54 million. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund’s obligation to us under the SPP Agreement. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, we settled the Trustee’s \$20.54 million Claim for a net payment by us of \$14.5 million (after accounting for a \$1.5 million contribution payment made to us by our insurance carrier in respect of the settlement). We currently intend to seek recourse against the private hedge fund and certain of its principals and agents, as well as other affiliated and nonaffiliated entities and individuals for amounts paid in respect of such Claim. In addition, a claim has already been filed with the Cayman Islands joint official liquidators of the private hedge fund.

We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of December 31, 2017. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock and Distributions

New Mountain Finance Corporation's ("NMFC", the "Company", "we", "us" or "our") common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "NMFC". The following table sets forth the net asset value ("NAV") per share of our common stock, the high and low closing sale price for our common stock, the closing sale price as a percentage of NAV and the quarterly distributions per share for each fiscal quarter for the years ended December 31, 2017 and December 31, 2016.

Fiscal Year Ended	NAV Per Share(1)	Closing Sales Price(2)		Premium (Discount) of High Closing Sales Price to NAV(3)	Premium (Discount) of Low Closing Sales Price to NAV(3)	Declared Distributions Per Share(4)(5)
		High	Low			
December 31, 2017						
Fourth Quarter	\$ 13.63	\$ 14.50	\$ 13.55	6.38 %	(0.59)%	\$ 0.34
Third Quarter	\$ 13.61	\$ 14.70	\$ 13.55	8.01 %	(0.44)%	\$ 0.34
Second Quarter	\$ 13.63	\$ 14.95	\$ 14.35	9.68 %	5.28 %	\$ 0.34
First Quarter	\$ 13.56	\$ 14.90	\$ 14.00	9.88 %	3.24 %	\$ 0.34
December 31, 2016						
Fourth Quarter	\$ 13.46	\$ 14.30	\$ 13.20	6.24 %	(1.93)%	\$ 0.34
Third Quarter	\$ 13.28	\$ 14.28	\$ 13.11	7.53 %	(1.28)%	\$ 0.34
Second Quarter	\$ 13.23	\$ 12.90	\$ 12.10	(2.49)%	(8.54)%	\$ 0.34
First Quarter	\$ 12.87	\$ 12.96	\$ 11.09	0.70 %	(13.83) %	\$ 0.34

- (1) NAV is determined as of the last date in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices. The NAVs shown are based on outstanding shares at the end of each period.
- (2) Closing sales price is determined as the high or low closing sales price noted within the respective quarter, not adjusted for distributions.
- (3) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.
- (4) Represents the distributions declared or paid for the specified quarter.
- (5) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2017 and December 31, 2016, total distributions were \$100.9 million and \$88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital.

On February 26, 2018, the last reported sales price of our common stock was \$12.90 per share. As of February 26, 2018, we had approximately 15 stockholders of record and one beneficial owner whose shares are held in the names of brokers, dealers, funds, trusts and clearing agencies.

Distributions

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a regulated investment company ("RIC"). We intend to distribute approximately our entire net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a stockholders original investment in our common stock, for United States ("U.S.") federal income tax purposes. Generally, a return of capital will reduce an investor's basis in our stock for U.S. federal income tax purposes, which will result in a higher tax liability when the stock is sold. The specific tax characteristics of our distributions will be reported to stockholders after the end of the calendar year.

We maintain an "opt out" dividend reinvestment plan on behalf of our stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless the stockholder elects to receive cash.

We apply the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is equal to or greater than 110.0% of the last determined NAV of the shares, we will use only newly issued shares to implement the dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock on the NYSE on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and ask prices.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined NAV of the shares, we will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of our common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. See *Item 8.—Financial Statements and Supplementary Data—Note 2. Summary of Significant Accounting Policies* for additional information.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the years ended December 31, 2017 and December 31, 2016:

Date Declared	Record Date	Payment Date	Per Share Amount
November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
August 4, 2017	September 15, 2017	September 29, 2017	0.34
May 4, 2017	June 16, 2017	June 30, 2017	0.34
February 23, 2017	March 17, 2017	March 31, 2017	0.34
			\$ 1.36
November 4, 2016	December 15, 2016	December 29, 2016	\$ 0.34
August 2, 2016	September 16, 2016	September 30, 2016	0.34
May 3, 2016	June 16, 2016	June 30, 2016	0.34
February 22, 2016	March 17, 2016	March 31, 2016	0.34
			\$ 1.36

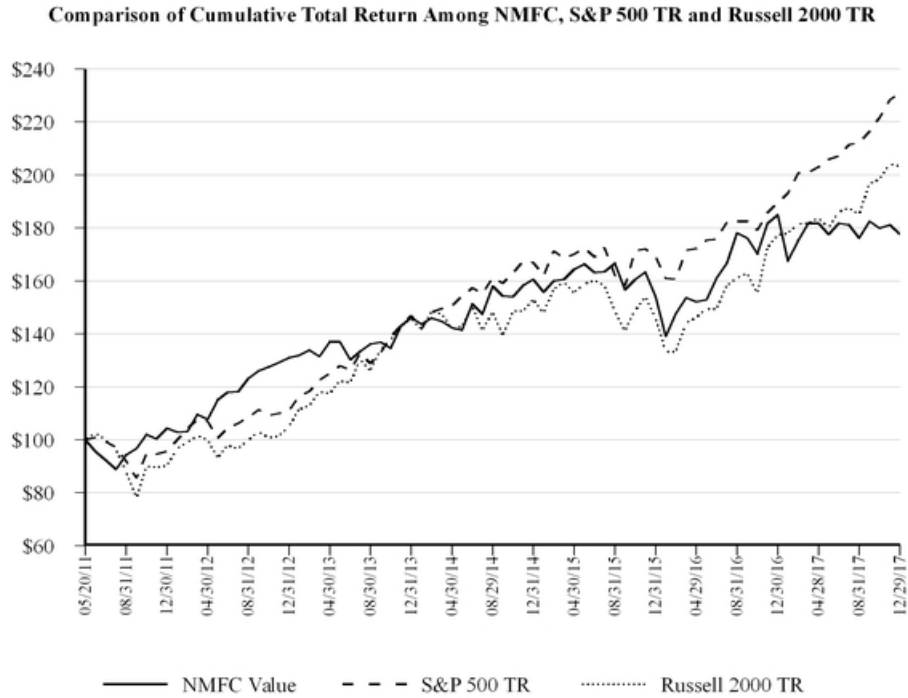
Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2017 and December 31, 2016, total distributions were \$100.9 million and \$88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

Unregistered Sales of Equity Securities

We did not engage in unregistered sales of equity securities during the year ended December 31, 2017.

Stock Performance Graph

This graph compares the return on our common stock with that of the Standard & Poor's 500 Total Return Index ("S&P 500 TR") and the Russell 2000 Index Total Return ("Russell 2000 TR") as we do not believe that there is an appropriate index of companies with an investment strategy similar to our own with which to compare the return on our common stock, for the period May 19, 2011 (commencement of operations) to December 31, 2017. The graph assumes that, on May 19, 2011, a person invested \$100 in each of our common stock, the S&P 500 TR and the Russell 2000 TR. The graph measures total stockholder return, which takes into account both changes in stock price and distributions. It assumes that distributions paid are invested in like securities.



The graph and other information furnished under this Part II Item 5 of this Form 10-K shall not be deemed to be "soliciting material" or to be filed with the United States Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the "1934" Act. The stock price performance included in the above graph is not necessarily indicative of future stock performance.

Item 6. Selected Financial Data

The selected financial data should be read in conjunction with the respective consolidated financial statements and related consolidated notes thereto and *Item 7.— Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this report. Financial information for the years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013, has been derived from the Predecessor Operating Company and our financial statements and related notes thereto that were audited by Deloitte & Touche LLP, an independent registered public accounting firm.

The below selected financial and other data is for NMFC.

(in thousands except shares and per share data)

New Mountain Finance Corporation	Year Ended December 31,				
	2017	2016	2015	2014	2013
Statement of Operations Data:					
Investment income	\$ 197,806	\$ 168,084	\$ 153,855	\$ 91,923	\$ —
Investment income allocated from NMF Holdings	—	—	—	43,678	90,876
Net expenses	95,602	79,976	71,360	34,727	—
Net expenses allocated from NMF Holdings	—	—	—	20,808	40,355
Net investment income	102,204	88,108	82,495	80,066	50,521
Net realized (losses) gains on investments	(39,734)	(16,717)	(12,789)	357	—
Net realized and unrealized gains (losses) allocated from NMF Holdings	—	—	—	9,508	11,443
Net change in unrealized appreciation (depreciation) of investments	50,794	40,131	(35,272)	(43,863)	—
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(4,006)	(486)	(296)	—	—
Net change in unrealized (depreciation) appreciation of investment in NMF Holdings	—	—	—	—	(44)
Benefit (provision) for taxes	140	642	(1,183)	(493)	—
Net increase in net assets resulting from operations	109,398	111,678	32,955	45,575	61,920
Per share data:					
Net asset value	\$ 13.63	\$ 13.46	\$ 13.08	\$ 13.83	\$ 14.38
Net increase in net assets resulting from operations (basic)	1.47	1.72	0.55	0.88	1.76
Net increase in net assets resulting from operations (diluted)(1)	1.38	1.60	0.55	0.86	1.76
Distributions declared(2)	1.36	1.36	1.36	1.48	1.48
Balance sheet data:					
Total assets(3)	\$ 1,928,018	\$ 1,656,018	\$ 1,588,146	\$ 1,500,868	\$ 650,107
Holdings Credit Facility	312,363	333,513	419,313	468,108	N/A
Convertible Notes	155,412	155,523	115,000	115,000	N/A
SBA-guaranteed debentures	150,000	121,745	117,745	37,500	N/A
Unsecured Notes	145,000	90,000	—	—	N/A
NMFC Credit Facility	122,500	10,000	90,000	50,000	N/A
Total net assets	1,034,975	938,562	836,908	802,170	650,107
Other data:					
Total return based on market value(4)	5.54%	19.68%	(4.00)%	9.66%	11.62%
Total return based on net asset value(5)	11.77%	13.98%	4.32 %	6.56%	13.27%
Number of portfolio companies at period end	84	78	75	71	N/A
Total new investments for the period(6)	\$ 999,677	\$ 558,068	\$ 612,737	\$ 720,871	N/A
Investment sales and repayments for the period(6)	\$ 767,360	\$ 547,078	\$ 483,936	\$ 384,568	N/A
Weighted average YTM at Cost on debt portfolio at period end (unaudited)(7)	10.9%	11.1%	10.7 %	10.7%	N/A
Weighted average shares outstanding for the period (basic)	74,171,268	64,918,191	59,715,290	51,846,164	35,092,722
Weighted average shares outstanding for the period (diluted)	83,995,395	72,863,387	66,968,089	56,157,835	35,092,722
Portfolio turnover(6)	41.98%	36.07%	33.93 %	29.51%	N/A

- (1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2015, there was anti-dilution. For the years ended December 31, 2017, December 31, 2016 and December 31, 2014, there was no anti-dilution. For the year ended December 31, 2013, due to reflecting earnings for the full year of operations of the Predecessor Operating Company assuming 100.0% NMFC ownership of Predecessor Operating Company and assuming all of New Mountain Finance AIV Holdings Corporation's ("AIV Holdings") units in the Predecessor Operating Company were exchanged for public shares of NMFC during the year then ended, the earnings per share would be \$1.79.
- (2) Distributions declared in the year ended December 31, 2014 include a \$0.12 per share special dividend related to realized capital gains attributable to NMF Holdings' warrant investments in Learning Care Group (US), Inc. Distributions declared in the year ended December 31, 2013 include a \$0.12 per share special dividend related to a distribution received attributable to NMF Holdings' investment in YP Equity Investors LLC.
- (3) On January 1, 2016, we adopted Accounting Standard Update No. 2015-03, *Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Upon adoption, we revised our presentation of deferred financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, as of December 31, 2015 and December 31, 2014, we retrospectively revised our presentation of \$14.0 million and \$14.1 million, respectively, of deferred financing costs that were previously presented as an asset, which resulted in a decrease to total assets and total liabilities as of December 31, 2015 and December 31, 2014. For the year ended December 31, 2013, NMFC was a holding company with no direct operations of its own and its sole asset was its ownership in the Predecessor Operating Company and as such ASU 2015-03 did not apply to NMFC.
- (4) Total return is calculated assuming a purchase of common stock at the opening of the first day of the period and a sale on the closing of the last business day of the respective period ends. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under our dividend reinvestment plan.
- (5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (6) For the year ended December 31, 2014, amounts include our investment activity and the investment activity of the Predecessor Operating Company.
- (7) The weighted average YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the cost for post-IPO investments in accordance with accounting principles generally accepted in the United States of America ("GAAP") and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

As of May 8, 2014, NMFC assumed all operating activities previously undertaken by NMF Holdings. The following table sets forth selected financial and other data for NMF Holdings when it was the Predecessor Operating Company.

(in thousands except units and per unit data)

<u>New Mountain Finance Holdings, L.L.C.</u>	<u>Year Ended December 31, 2013</u>	
Statement of Operations Data:		
Total investment income	\$	114,912
Net expenses		51,235
Net investment income		63,677
Net realized and unrealized gains (losses)		15,247
Net increase in net assets resulting from operations		78,924
Per unit data:		
Net asset value	\$	14.38
Net increase in net assets resulting from operations (basic and diluted)		1.79
Distributions declared(1)		1.48
Balance sheet data:		
Total assets	\$	1,147,841
Holdings Credit Facility		221,849
SLF Credit Facility		214,668
Total net assets		688,516
Other data:		
Total return at net asset value(2)		13.27 %
Number of portfolio companies at period end		59
Total new investments for the period	\$	529,307
Investment sales and repayments for the period	\$	426,561
Weighted average YTM at Cost on debt portfolio at period end (unaudited)(3)		11.0 %
Weighted average YTM on debt portfolio at period end (unaudited)(4)		10.6 %
Weighted average common membership units outstanding for the period		44,021,920
Portfolio turnover		40.52 %

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- (1) Distributions declared in the year ended December 31, 2013 include a \$0.12 per unit special dividend related to a distribution received attributable to NMF Holdings' investment in YP Equity Investors LLC. Actual cash payments on the distributions declared to AIV Holdings only, for the quarter ended March 31, 2013 was made on April 5, 2013.
- (2) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the respective period ends. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (3) The weighted average YTM at Cost calculation assumes that all investments not on non-accrual are purchased at the adjusted cost on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the GAAP cost for post-IPO investments and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).
- (4) The weighted average YTM calculation assumes that all investments not on non-accrual are purchased at fair value on the respective period ends and held until their respective maturities with no prepayments or losses and exited at par at maturity. The weighted average YTM was not calculated subsequent to December 31, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in management's discussion and analysis of financial condition and results of operations relates to New Mountain Finance Corporation, including its wholly-owned direct and indirect subsidiaries (collectively, "we", "us", "our", "NMFC" or the "Company").

The following analysis of our financial condition and results of operations should be read in conjunction with our financial data and our financial statements and the notes thereto contained in *Item 8.—Financial Statements and Supplementary Data*, in this report. See *Item 1A.—Risk Factors* for a discussion of the uncertainties, risks and assumptions associated with these statements.

Forward-Looking Statements

The information contained in this section should be read in conjunction with the financial data and consolidated financial statements and notes thereto appearing elsewhere in this report. Some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or our future performance or our financial condition. The forward-looking statements contained in this section involve a number of risks and uncertainties, including:

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital, L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates); and
- the risk factors set forth in *Item 1A.—Risk Factors*.

Forward-looking statements are identified by their use of such terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or similar expressions. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in *Item 1A.—Risk Factors* contained in this annual report.

We have based the forward-looking statements included in this report on information available to us on the date of this report. We assume no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Although we undertake no obligation to revise or update any forward-looking statements, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the United States Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

Our wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), our wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). We consolidate our tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing") serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC L.P. ("SBIC I") and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP"), are organized in Delaware as a limited partnership and limited liability company, respectively. During the year ended December 31, 2017, New Mountain Finance SBIC II, L.P. ("SBIC II") and its general partner, New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC I and SBIC II received licenses from the United States ("U.S.") Small Business Administration (the "SBA") to operate as a small business investment company ("SBIC") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act"). Our wholly-owned subsidiary, New Mountain Net Lease Corporation ("NMNLC"), a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and intends to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent it invests in the "last out" tranche. In some cases, our investments may also include equity interests.

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I's and SBIC II's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of December 31, 2017, our top five industry concentrations were business services, software, healthcare services, education and consumer services.

As of December 31, 2017, our net asset value was \$1,035.0 million and our portfolio had a fair value of approximately \$1,825.7 million in 84 portfolio companies, with a weighted average yield to maturity at cost ("YTM at Cost") of approximately 10.9%. This YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage. YTM at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

Recent Developments

On January 25, 2018, we entered into a Commitment Increase Agreement (the "Commitment Agreement") related to our existing senior secured revolving credit facility, maturing on June 4, 2019, provided by Goldman Sachs Bank USA as the Administrative Agent and Syndication Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders (the "NMFC Credit Facility"). The Commitment Agreement increases the total commitments under the NMFC Credit Facility from \$122.5 million to \$150.0 million from existing lenders in accordance with the accordion feature of the NMFC Credit Facility.

On January 30, 2018, we entered into a second supplement (the "Supplement") to our Amended and Restated Note Purchase Agreement, dated September 30, 2016 (the "NPA"). Pursuant to the Supplement, on January 30, 2018, we issued to certain institutional investors identified therein, in a private placement, \$90.0 million in aggregate principal amount of 4.87% Series 2018A Notes due January 30, 2023 (the "2018A Unsecured Notes") as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2018A Unsecured Notes have the same terms as the \$90.0 million in aggregate principal amount of the 5.313% Notes due May 15, 2021 and the \$55.0 million in aggregate principal amount of the 4.76% Series 2017A Notes due July 15, 2022 (collectively, the "Prior Notes") that we previously issued pursuant to the NPA and the first supplement thereto, respectively. The 2018A Unsecured Notes will rank equal in priority with our other unsecured indebtedness, including the Prior Notes. Interest on the 2018A Unsecured Notes will be payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2018.

On February 21, 2018, our board of directors declared a first quarter 2018 distribution of \$0.34 per share payable on March 29, 2018 to holders of record as of March 15, 2018.

On February 27, 2018, we entered into Amendment No. 3 (the "Amendment") to the NMFC Credit Facility. The Amendment extends the term of the NMFC Credit Facility from the existing maturity date of June 4, 2019 to June 4, 2022. After June 4, 2019, the capacity under the NMFC Credit Facility will be reduced from the existing amount of \$150.0 million to \$135.0 million.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

Basis of Accounting

We consolidate our wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP. We are an investment company following accounting and reporting guidance as described in Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*, ("ASC 946").

Valuation and Leveling of Portfolio Investments

At all times consistent with GAAP and the 1940 Act, we conduct a valuation of assets, which impacts our net asset value.

We value our assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available and any other situation where our portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. Our quarterly valuation procedures are set forth in more detail below:

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.

- a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
 - b. For investments other than bonds, we look at the number of quotes readily available and perform the following procedures:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
 - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
 - b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
 - c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
 - d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of a commitment not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. 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 fluctuate from period to period and the fluctuations could be material.

GAAP fair value measurement guidance classifies the inputs used in measuring fair value into three levels as follows:

Level I—Quoted prices (unadjusted) are available in active markets for identical investments and we have the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), we, to the extent that we hold such investments, do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level III—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

The inputs used to measure fair value may fall into different levels. In all instances when the inputs fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level of input that is significant to the fair value measurement in its entirety. As such, a Level III fair value measurement may include inputs that are both observable and unobservable. Gains and losses for such assets categorized within the Level III table below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported as transfers in/out of the respective leveling categories as of the beginning of the period in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of December 31, 2017:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 693,563	\$ —	\$ 136,866	\$ 556,697
Second lien	682,950	—	239,868	443,082
Subordinated	70,257	—	43,156	27,101
Equity and other	378,890	16	—	378,874
Total investments	<u>\$ 1,825,660</u>	<u>\$ 16</u>	<u>\$ 419,890</u>	<u>\$ 1,405,754</u>

We generally use the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. We typically determine the fair value of our performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

Company Performance, Financial Review, and Analysis: Prior to investment, as part of our due diligence process, we evaluate the overall performance and financial stability of the portfolio company. Post investment, we analyze each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. We also attempt to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of our original investment thesis. This analysis is specific to each portfolio company. We leverage the knowledge gained from our original due diligence process, augmented by this subsequent monitoring, to continually refine our outlook for each of our portfolio companies and ultimately form the valuation of our investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, we will consider the pricing indicated by the external event to corroborate the private valuation.

For debt investments, we may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of our debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, we may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for our debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

Market Based Approach: We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company

EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of December 31, 2017, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of December 31, 2017, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

The unobservable inputs used in the fair value measurement of our Level III investments as of December 31, 2017 were as follows:

Type	Fair Value as of December 31, 2017	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 458,543	Market & income approach	EBITDA multiple	2.0x	20.0x	11.8x		
			Revenue multiple	3.5x	8.0x	6.1x		
			Discount rate	6.5%	11.2%	9.2%		
	98,154	Market quote	Broker quote	N/A	N/A	N/A		
Second lien	220,597	Market & income approach	EBITDA multiple	8.0x	16.0x	11.4x		
			Discount rate	7.9%	12.5%	10.8%		
			215,098	Market quote	Broker quote	N/A	N/A	N/A
	7,387	Other	N/A(1)	N/A	N/A	N/A		
Subordinated	27,101	Market & income approach	EBITDA multiple	4.5x	11.8x	9.0x		
			Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.9%	14.9%	12.8%		
Equity and other	377,785	Market & income approach	EBITDA multiple	2.5x	18.0x	9.9x		
			Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.0%	23.6%	14.5%		
			1,089	Black Scholes analysis	Expected life in years	8.3	8.3	8.3
					Volatility	39.4%	39.4%	39.4%
			Discount rate	2.4%	2.4%	2.4%		
	<u>\$ 1,405,754</u>							

- (1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended for up to one year pursuant to certain terms of the SLP I Agreement. SLP I had a three year re-investment period. In June 2017, the re-investment period was extended for one additional

year. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$223.7 million and capital that had been called and funded of \$93.0 million. As of December 31, 2016, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$256.5 million and capital that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedules of Investments as of December 31, 2017 and December 31, 2016.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, we earned approximately \$1.2 million, \$1.2 million and \$1.2 million, respectively, in management fees related to SLP I, which is included in other income. As of December 31, 2017 and December 31, 2016, approximately \$0.3 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, we earned approximately \$3.5 million, \$3.7 million and \$3.6 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2017 and December 31, 2016, approximately \$0.8 million and \$0.9 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions were completed. Any decision by SLP II to call down on capital commitments required approval by the board of managers of SLP II. We and SkyKnight have committed and contributed \$79.4 million and \$20.6 million of equity to SLP II, respectively. Our investment in SLP II is disclosed on our Consolidated Schedules of Investments as of December 31, 2017 and December 31, 2016.

On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. As of December 31, 2017 and December 31, 2016, SLP II had total investments with an aggregate fair value of approximately \$382.5 million and \$361.7 million, respectively, and debt outstanding under its credit facility of \$266.3 million and \$250.0 million, respectively.

The following table is a listing of the individual loans in SLP II's portfolio as of December 31, 2017:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments - First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicure, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OEConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bideo LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$ 381,237	\$ 379,098	\$ 382,529

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Unfunded Investments - First lien						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$ 2,728	\$ (14)	\$ 7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9)	(3)
Total Unfunded Investments				\$ 4,863	\$ (23)	\$ 5
Total Investments				\$ 386,100	\$ 379,075	\$ 382,534

- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.
- (2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

The following table is a listing of the individual loans in SLP II's portfolio as of December 31, 2016:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal	Cost	Fair
				Amount or Par Value		Value (2)
Funded Investments - First lien:				(in thousands)	(in thousands)	(in thousands)
ADG, LLC	Healthcare Services	5.75% (L + 4.75%)	9/28/2023	\$ 17,207	\$ 17,040	\$ 17,121
AssuredPartners, Inc.	Business Services	5.25% (L + 4.25%)	10/21/2022	11,862	11,847	12,058
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.00% (L + 5.00%)	8/21/2023	14,962	14,819	14,963
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	4,987	4,963	5,054
Cvent, Inc.	Software	6.00% (L + 5.00%)	11/29/2023	10,000	9,901	10,125
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,900	14,814	14,881
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.25% (L + 5.25%)	2/18/2022	10,507	10,350	10,402
Emerald 2 Limited	Business Services	5.00% (L + 4.00%)	5/14/2021	1,277	1,206	1,174
Engility Corporation (fka TASC, Inc.)	Federal Services	5.81% (Base + 4.72%)	8/14/2023	13,860	13,793	14,080
Evo Payments International, LLC	Business Services	6.00% (L + 5.00%)	12/22/2023	17,500	17,413	17,602
Explorer Holdings, Inc.	Healthcare Services	6.00% (L + 5.00%)	5/2/2023	4,975	4,929	5,028
Globallogic Holdings Inc.	Business Services	5.50% (L + 4.50%)	6/20/2022	10,000	9,900	10,013
GOBP Holdings Inc.	Retail	5.00% (L + 4.00%)	10/21/2021	14,955	14,816	14,985
Hyperion Insurance Group Limited	Business Services	5.50% (L + 4.50%)	4/29/2022	14,401	14,179	14,476
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	9,975	9,927	10,075
Kronos Incorporated	Software	5.00% (L + 4.00%)	11/1/2023	10,000	9,951	10,105
Masergy Holdings, Inc.	Business Services	5.50% (L + 4.50%)	12/15/2023	7,500	7,463	7,563
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,950	9,905	9,971
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	7,846	7,807	7,807
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	8,312	8,250	8,354
Navex Global, Inc.	Software	5.99% (L + 4.75%)	11/19/2021	14,933	14,718	14,858
nThrive, Inc. (fka Precyse Acquisition Corp.)	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,950	9,813	10,083
Poseidon Intermediate, LLC	Software	5.25% (L + 4.25%)	8/15/2022	14,962	14,962	15,055
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	10,000	9,853	10,153
Rocket Software, Inc.	Software	5.25% (L + 4.25%)	10/14/2023	14,962	14,817	15,129
SolarWinds Holdings, Inc.	Software	5.50% (L + 4.50%)	2/3/2023	14,688	14,697	14,852
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	13,548	13,444	13,599
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.75% (L + 4.75%)	11/23/2019	10,801	10,780	10,942
Vision Solutions, Inc.	Software	7.50% (Base + 6.50%)	6/16/2022	9,938	9,845	9,919
Vivid Seats LLC	Business Services	6.75% (L + 5.75%)	10/12/2022	4,000	3,922	3,985
WD Wolverine Holdings, LLC	Healthcare Services	6.50% (L + 5.50%)	10/17/2023	10,200	9,900	9,894
Zywave, Inc.	Software	6.00% (L + 5.00%)	11/17/2022	17,500	17,414	17,413
Total Investments				\$ 360,458	\$ 357,438	\$ 361,719

- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2016.
- (2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

Below is certain summarized financial information for SLP II as of December 31, 2017 and December 31, 2016 and for the years ended December 31, 2017 and December 31, 2016:

Selected Balance Sheet Information:	December 31, 2017	December 31, 2016
	(in thousands)	(in thousands)
Investments at fair value (cost of \$379,075 and \$357,438, respectively)	\$ 382,534	\$ 361,719
Receivable from unsettled securities sold	—	1,007
Cash and other assets	8,065	10,138
Total assets	\$ 390,599	\$ 372,864
Credit facility	\$ 266,270	\$ 249,960
Deferred financing costs	(1,966)	(2,565)
Payable for unsettled securities purchased	15,964	24,862
Distribution payable	3,500	3,000
Other liabilities	2,891	3,350
Total liabilities	286,659	278,607
Members' capital	\$ 103,940	\$ 94,257
Total liabilities and members' capital	\$ 390,599	\$ 372,864
	Year Ended December 31,	
Selected Statement of Operations Information:	2017	2016(1)
	(in thousands)	(in thousands)
Interest income	\$ 22,551	\$ 7,463
Other income	351	572
Total investment income	22,902	8,035
Interest and other financing expenses	8,356	3,558
Other expenses	697	650
Total expenses	9,053	4,208
Net investment income	13,849	3,827
Net realized gains on investments	2,281	599
Net change in unrealized (depreciation) appreciation of investments	(822)	4,281
Net increase in members' capital	\$ 15,308	\$ 8,707

(1) For the year ended December 31, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to December 31, 2016.

For the years ended December 31, 2017 and December 31, 2016, we earned approximately \$12.4 million and \$3.5 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2017 and December 31, 2016, approximately \$2.8 million and \$2.4 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

We have determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance, we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation*, concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, we do not consolidate SLP II.

New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of December 31, 2017.

Below is certain summarized property information for NMNLC as of December 31, 2017:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total	Fair Value as of
				Square Feet (in thousands)	December 31, 2017 (in thousands)
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	\$ 7,962
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL	261	5,138
NM CLFX LP	Victor Equipment Company	8/31/2033	Denton, TX	423	12,538
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,385
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,191
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	8,195
					\$ 41,409

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—*Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2017 and December 31, 2016, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a carrying value of \$25.2 million and \$29.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

Revenue Recognition

Sales and paydowns of investments: Realized gains and losses on investments are determined on the specific identification method.

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and generally due at maturity or when redeemed by the issuer.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management's judgment of the ultimate outcome. Non-accrual investments are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, upfront fees, management fees from a non-controlled/affiliated investment and other miscellaneous fees received and are typically non-recurring in nature. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date. Other income may also include fees from bridge loans. We may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Monitoring of Portfolio Investments

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of our original investment strategy.

We use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. We use a four-level numeric rating scale as follows:

- Investment Rating 1—Investment is performing materially above expectations;
- Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;
- Investment Rating 3—Investment is performing materially below expectations and while significant loss is not expected, the risk of loss has increased since the original investment; and
- Investment Rating 4—Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of December 31, 2017:

(in millions)	As of December 31, 2017	
	Fair Value	Percent
Investment Rating 1	\$ 87.9	4.8%
Investment Rating 2	1,737.4	95.2%
Investment Rating 3	—	—%
Investment Rating 4	0.4	—%
	<u>\$ 1,825.7</u>	<u>100.0%</u>

As of December 31, 2017, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of one portfolio company that had an Investment Rating of 4.

During the first quarter of 2017, we placed our entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, our investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27.2 million, an aggregate fair value of \$12.7 million and total unearned interest income of \$1.4 million for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of our original investment in Sierra. Prior to the extinguishment in July 2017, our original investment in Sierra had an aggregate cost of \$27.3 million, an aggregate fair value of \$12.9 million and total unearned interest income of \$1.7 million. The extinguishment resulted in a realized loss of \$14.4 million. As a result of the restructuring, we received common shares in Sierra Hamilton Holding Corporation. As of December 31, 2017, our investment had an aggregate cost basis of \$12.8 million and an aggregate fair value of \$12.3 million.

During the third quarter of 2016, we placed our entire second lien position in Transtar Holding Company ("Transtar") on non-accrual status due to its ongoing restructuring. As of March 31, 2017, our investment in Transtar had an aggregate cost basis of \$31.2 million, an aggregate fair value of \$3.6 million and total unearned interest income of approximately \$1.8 million for the three months then ended. In April 2017, Transtar completed a restructuring which resulted in a \$3.6 million repayment

of our second lien position. We recognized a realized loss of \$27.6 million during the year ended December 31, 2017 related to Transtar.

Portfolio and Investment Activity

The fair value of our investments was approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017, approximately \$1,558.8 million in 78 portfolio companies at December 31, 2016 and approximately \$1,512.2 million in 75 portfolio companies at December 31, 2015.

The following table shows our portfolio and investment activity for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

(in millions)	Year Ended December 31,		
	2017	2016	2015
New investments in 64, 43 and 36 portfolio companies, respectively	\$ 999.7	\$ 558.1	\$ 612.7
Debt repayments in existing portfolio companies	696.6	479.5	400.8
Sales of securities in 17, 10 and 15 portfolio companies, respectively	70.7	67.6	83.1
Change in unrealized appreciation on 58, 71 and 23 portfolio companies, respectively	66.1	76.5	44.7
Change in unrealized depreciation on 43, 24 and 70 portfolio companies, respectively	(15.3)	(36.4)	(79.9)

At December 31, 2017 and December 31, 2016, our weighted average YTM at Cost was approximately 10.9% and 11.1%, respectively.

Recent Accounting Standards Updates

See Item 8.—*Financial Statements and Supplementary Data—Note 15. Recent Accounting Standards* for details on recent accounting standards updates.

Results of Operations

Under GAAP, our IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. We track the transferred (or fair market) value of each of the Predecessor Operating Company's investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts income as if each investment was purchased at the date of the IPO (or stepped up to fair market value). The respective "Adjusted Net Investment Income" (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO date had stepped-up to fair market value as of the IPO date) is used in calculating both the incentive fee and dividend payments. As of December 31, 2017, all predecessor investments have been sold or matured. See *Item 8.—Financial Statements and Supplementary Data—Note 5. Agreements* for additional details.

The following table for the year ended December 31, 2017 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2017	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Year Ended December 31, 2017
Investment income				
Interest income	\$ 149,800	\$ — (2)	\$ —	\$ 149,800
Total dividend income	37,250	—	—	37,250
Other income	10,756	—	—	10,756
Total investment income(3)	197,806	—	—	197,806
Total expenses pre-incentive fee(4)	72,301	—	—	72,301
Pre-Incentive Fee Net Investment Income	125,505	—	—	125,505
Incentive fee (1)	23,301	—	—	23,301
Post-Incentive Fee Net Investment Income	102,204	—	—	102,204
Net realized losses on investments(5)	(39,734)	—	—	(39,734)
Net change in unrealized appreciation (depreciation) of investments(5)	50,794	— (2)	—	50,794
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(4,006)	—	—	(4,006)
Benefit for taxes	140	—	—	140
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	\$ 109,398			\$ 109,398

(1) For the year ended December 31, 2017, we incurred total incentive fees of \$23.3 million, net of the incentive fee waiver of \$1.8 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

(2) For the year ended December 31, 2017, the adjustment was less than \$1 thousand.

(3) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

(4) Includes expense waivers and reimbursements of \$0.5 million and management fee waivers of \$5.6 million.

(5) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2017, we had less than a \$1 thousand adjustment to interest income for amortization and a less than \$1 thousand adjustment to net change in unrealized appreciation to adjust for the stepped-up cost basis of the transferred investments discussed above. For the year ended December 31, 2017, total adjusted investment income of \$197.8

million consisted of approximately \$129.3 million in cash interest from investments, approximately \$6.4 million in PIK and non-cash interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$9.2 million, approximately \$19.4 million in cash dividends from investments, \$17.8 million in PIK and non-cash dividends from investments and approximately \$10.8 million in other income. Our Adjusted Net Investment Income was \$102.2 million for the year ended December 31, 2017.

In accordance with GAAP, for the year ended December 31, 2017, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of the period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2017, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

The following table for the year ended December 31, 2016 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2016	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Year Ended December 31, 2016
Investment income				
Interest income	\$ 147,425	\$ (65)	\$ —	\$ 147,360
Total dividend income	11,200	—	—	11,200
Other income	9,459	—	—	9,459
Total investment income(2)	168,084	(65)	—	168,019
Total expenses pre-incentive fee(3)	57,965	—	—	57,965
Pre-Incentive Fee Net Investment Income	110,119	(65)	—	110,054
Incentive fee	22,011	—	—	22,011
Post-Incentive Fee Net Investment Income	88,108	(65)	—	88,043
Net realized losses on investments(4)	(16,717)	(151)	—	(16,868)
Net change in unrealized appreciation (depreciation) of investments(4)	40,131	216	—	40,347
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)	—	—	(486)
Benefit for taxes	642	—	—	642
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	\$ 111,678			\$ 111,678

- (1) For the year ended December 31, 2016, we incurred total incentive fees of \$22.0 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (2) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (3) Includes expense waivers and reimbursements of \$0.7 million and management fee waivers of \$4.8 million.
- (4) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2016, we had a \$0.1 million adjustment to interest income for amortization, a decrease of \$0.2 million to net realized losses and an increase of \$0.2 million to net change in unrealized appreciation (depreciation) to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the year ended December 31, 2016, total adjusted investment income of \$168.0 million consisted of approximately \$135.2 million in cash interest from investments, approximately \$4.3 million in PIK interest from investments, approximately \$4.9 million in

prepayment fees, net amortization of purchase premiums and discounts of approximately \$3.0 million, approximately \$8.0 million in cash dividend income, \$3.2 million in PIK dividends from investments and approximately \$9.4 million in other income. Our Adjusted Net Investment Income was \$88.0 million for the year ended December 31, 2016.

In accordance with GAAP, for the year ended December 31, 2016, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2016, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

The following table for the year ended December 31, 2015 is adjusted to reflect the step-up to fair market value and the allocation of the incentive fees related to hypothetical capital gains out of the adjusted post-incentive fee net investment income.

(in thousands)	Year Ended December 31, 2015	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Year Ended December 31, 2015
Investment income				
Interest income	\$ 140,074	\$ (131)	\$ —	\$ 139,943
Total dividend income	5,771	—	—	5,771
Other income	8,010	—	—	8,010
Total investment income(2)	153,855	(131)	—	153,724
Total expenses pre-incentive fee(3)	50,769	—	—	50,769
Pre-Incentive Fee Net Investment Income	103,086	(131)	—	102,955
Incentive fee	20,591	—	—	20,591
Post-Incentive Fee Net Investment Income	82,495	(131)	—	82,364
Net realized losses on investments	(12,789)	(78)	—	(12,867)
Net change in unrealized (depreciation) appreciation of investments(4)	(35,272)	209	—	(35,063)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(296)	—	—	(296)
Provision for taxes	(1,183)	—	—	(1,183)
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	\$ 32,955			\$ 32,955

- (1) For the year ended December 31, 2015, we incurred total incentive fees of \$20.6 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (2) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (3) Includes expense waivers and reimbursements of \$0.7 million and management fee waivers of \$5.2 million.
- (4) Includes net realized gains (losses) on investments and net change in unrealized (depreciation) appreciation of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

For the year ended December 31, 2015, we had a \$0.1 million adjustment to interest income for amortization, a decrease of \$0.1 million to net realized losses and an increase of \$0.2 million to net change in unrealized depreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the year ended December 31, 2015, total adjusted investment income of \$153.7 million consisted of approximately \$130.0 million in cash interest from investments, approximately \$3.9 million in PIK interest from investments, approximately \$3.6 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$2.4 million, approximately \$3.2 million in dividend income, \$2.6

million in PIK dividends from investments and approximately \$8.0 million in other income. Our Adjusted Net Investment Income was \$82.4 million for the year ended December 31, 2015.

In accordance with GAAP, for the year ended December 31, 2015, we did not have an accrual for hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of the period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value. As of December 31, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Results of Operations for the Years Ended December 31, 2017, December 31, 2016 and December 31, 2015

Revenue

(in thousands)	Year Ended December 31,		
	2017	2016	2015
Interest income	\$ 149,800	\$ 147,425	\$ 140,074
Total dividend income	37,250	11,200	5,771
Other income	10,756	9,459	8,010
Total investment income	\$ 197,806	\$ 168,084	\$ 153,855

Our total investment income increased by approximately \$29.7 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The 18% increase in total investment income results from an increase in interest income of approximately \$2.4 million from the year ended December 31, 2016 to the year ended December 31, 2017, which is attributable to larger invested balances and prepayment fees received associated with the early repayments of eleven different portfolio companies held as of December 31, 2016. Our larger invested balances were driven by the proceeds from the April 2017 primary offering of our common stock, our June 2017 unsecured notes issuance, as well as, our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income of approximately \$26.1 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to distributions from our investments in SLP II and NMNLC and PIK and non-cash dividend income from five equity positions. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$1.3 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to structuring, upfront, amendment, consent, bridge and commitment fees received from 46 different portfolio companies.

Our total investment income increased by approximately \$14.2 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The 9% increase in total investment income primarily results from an increase in interest income of approximately \$7.4 million from the year ended December 31, 2015 to the year ended December 31, 2016, which is attributable to larger invested balances and prepayment fees received associated with the early repayments of nine different portfolio companies held as of December 31, 2015. Our larger invested balances were driven by the proceeds from the October 2016 primary offering of our common stock, our May 2016 and September 2016 unsecured notes issuances and our September 2016 convertible notes issuance, as well as, our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income of approximately \$5.4 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily attributable to distributions from our investments in SLP I, SLP II and NMNLC and PIK dividend income from an equity position. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$1.4 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily attributable to structuring, upfront, amendment, consent and commitment fees received from 28 different portfolio companies and management fees from a non-controlled/affiliated portfolio company and a controlled portfolio company.

Operating Expenses

(in thousands)	Year Ended December 31,		
	2017	2016	2015
Management fee	\$ 32,694	\$ 27,551	\$ 25,858
Less: management fee waiver	(5,642)	(4,824)	(5,219)
Total management fee	27,052	22,727	20,639
Incentive fee	25,101	22,011	20,591
Less: incentive fee waiver	(1,800)	—	—
Total incentive fee	23,301	22,011	20,591
Interest and other financing expenses	37,094	28,452	23,374
Professional fees	3,658	3,087	3,214
Administrative fees	2,779	2,683	2,450
Other general and administrative expenses	1,636	1,589	1,665
Total expenses	95,520	80,549	71,933
Less: expenses waived and reimbursed	(474)	(725)	(733)
Net expenses before income taxes	95,046	79,824	71,200
Income tax expense	556	152	160
Net expenses after income taxes	\$ 95,602	\$ 79,976	\$ 71,360

Our total net operating expenses increased by approximately \$15.6 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Our management fee increased by approximately \$4.3 million, net of a management fee waiver, and incentive fees increased by approximately \$1.3 million, net of an incentive fee waiver, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in management fee and incentive fee from the year ended December 31, 2016 to the year ended December 31, 2017 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2017.

Interest and other financing expenses increased by approximately \$8.6 million during the year ended December 31, 2017, primarily due to our issuance of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and an increase in LIBOR rates. Our total professional fees, total administrative expenses, net of expenses waived and reimbursed, and total other general and administrative expenses remained relatively flat for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Our total net operating expenses increased by approximately \$8.6 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Our management fee increased by approximately \$2.1 million, net of a management fee waiver, and incentive fees increased by approximately \$1.4 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase in management fee and incentive fee from the year ended December 31, 2015 to the year ended December 31, 2016 was attributable to larger invested balances, driven by the proceeds from the October 2016 primary offering of our common stock, our May 2016 and September 2016 unsecured notes issuances and our September 2016 convertible notes issuance and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2016.

Interest and other financing expenses increased by approximately \$5.1 million during the year ended December 31, 2016, primarily due to our issuance of our unsecured notes and additional issuance of our convertible notes and higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below). Our total professional fees, total administrative expenses, net of expenses waived and reimbursed, and total other general and administrative expenses remained relatively flat for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Net Realized Gains (Losses) and Net Change in Unrealized Appreciation (Depreciation)

(in thousands)	Year Ended December 31,		
	2017	2016	2015
Net realized losses on investments	\$ (39,734)	\$ (16,717)	\$ (12,789)
Net change in unrealized appreciation (depreciation) of investments	50,794	40,131	(35,272)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(4,006)	(486)	(296)
Benefit (provision) for taxes	140	642	(1,183)
Net realized and unrealized gains (losses)	\$ 7,194	\$ 23,570	\$ (49,540)

Our net realized losses and unrealized gains resulted in a net gain of approximately \$7.2 million for the year ended December 31, 2017 compared to the net realized losses and unrealized gains resulting in a net gain of approximately \$23.6 million for the same period in 2016. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net gain for the year ended December 31, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. With the completion of the Transtar and Sierra restructurings in April 2017 and July 2017, respectively, \$27.6 million and \$14.5 million, respectively, of previously recorded unrealized depreciation related to these investments were realized during the year ended December 31, 2017. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2017.

Our net realized losses and unrealized gains resulted in a net gain of approximately \$23.6 million for the year ended December 31, 2016 compared to the net realized and unrealized losses resulting in a net loss of approximately \$49.5 million for the same period in 2015. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net gain for the year ended December 31, 2016 was primarily driven by the overall increase in the market prices of our investments during the period and sales or repayments of investments with fair values in excess of December 31, 2015 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. The net gain was offset by a \$17.9 million realized loss on an investment resulting from the modification of terms on a portfolio company that was accounted for as an extinguishment. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2016.

The net loss for the year ended December 31, 2015 was primarily driven by the overall decrease in the market prices of our investments during the period and \$29.7 million of realized losses on investments resulting from the modification of terms on three portfolio companies that were accounted for as extinguishments. These losses were partially offset by sales or repayments of investments with fair values in excess of December 31, 2014 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments which included the sale of two portfolio companies resulting in realized gains of approximately \$14.2 million. The provision for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2015.

Liquidity and Capital Resources

The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes.

Since our IPO, and through December 31, 2017, we raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

On April 7, 2017, we completed a public offering of 5,000,000 shares of our common stock at a public offering price of \$14.60 per share. On April 13, 2017, in connection with the public offering, the underwriters completed a purchase of an additional 750,000 shares of our common stock with the exercise of the over-allotment option to purchase up to an additional 750,000 shares of our common stock. We received total net proceeds of approximately \$81.5 million in connection with the offering.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the

1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200.0% after such borrowing.

At December 31, 2017, December 31, 2016 and December 31, 2015, we had cash and cash equivalents of approximately \$34.9 million, \$45.9 million and \$30.1 million, respectively. Our cash (used in) provided by operating activities during the years ended December 31, 2017, December 31, 2016 and December 31, 2015, was approximately \$(166.3) million, \$60.5 million and \$(63.3) million, respectively.

Borrowings

Holdings Credit Facility—On December 18, 2014 we entered into the Second Amended and Restated Loan and Security Agreement, among us, as the Collateral Manager, NMF Holdings as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019. On October 24, 2017 we entered into the Third Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among us as the Collateral Manager, NMF Holdings as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian, which extended the maturity date to October 24, 2022.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association as Administrative Agent. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

Effective January 1, 2016, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Previously, the Holdings Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.75% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

(in millions)	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 11.6	\$ 9.5	\$ 10.5
Non-usage fee	\$ 0.7	\$ 0.8	\$ 0.5
Amortization of financing costs	\$ 1.8	\$ 1.6	\$ 1.6
Weighted average interest rate	3.3%	2.8%	2.6%
Effective interest rate	4.1%	3.5%	3.2%
Average debt outstanding	\$ 345.2	\$ 341.1	\$ 394.9

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the Holdings Credit Facility was \$312.4 million, \$333.5 million and \$419.3 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended, dated June 4, 2014 (together with the related guarantee and security agreement, the "NMFC Credit Facility"), among us as the Borrower, Goldman Sachs Bank USA as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

As of December 31, 2017, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$122.5 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

(in millions)	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 2.0	\$ 2.0	\$ 1.7
Non-usage fee	\$ 0.3	\$ 0.2	\$ 0.1
Amortization of financing costs	\$ 0.4	\$ 0.4	\$ 0.4
Weighted average interest rate	3.6%	3.0%	2.7%
Effective interest rate	4.8%	3.8%	3.5%
Average debt outstanding	\$ 54.9	\$ 66.9	\$ 60.5

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the NMFC Credit Facility was \$122.5 million, \$10.0 million and \$90.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, we closed a private offering of \$115.0 million aggregate principal amount of unsecured convertible notes (the "Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "Indenture"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, we closed a public offering of an additional \$40.3 million aggregate principal amount of the Convertible Notes. These additional Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115.0 million aggregate principal amount of Convertible Notes that we issued on June 3, 2014.

The Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

The following table summarizes certain key terms related to the convertible features of our Convertible Notes as of December 31, 2017.

	December 31, 2017
Initial conversion premium	12.5%
Initial conversion rate(1)	62.7746
Initial conversion price	\$ 15.93
Conversion premium at December 31, 2017	11.7%
Conversion rate at December 31, 2017(1)(2)	63.2794
Conversion price at December 31, 2017(2)(3)	\$ 15.80
Last conversion price calculation date	June 3, 2017

(1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the Convertible Notes converted.

- (2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
- (3) The conversion price in effect at December 31, 2017 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in distributions, are subject to a conversion price floor of \$14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the Convertible Notes. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. As reflected in *Item 8.—Financial Statements and Supplementary Data—Note 12. Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

We may not redeem the Convertible Notes prior to maturity. No sinking fund is provided for the Convertible Notes. In addition, if certain corporate events occur, holders of the Convertible Notes may require us to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the Convertible Note and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. These covenants are subject to limitations and exceptions that are described in the Indenture.

The following table summarizes the interest expense and amortization of financing costs incurred on the Convertible Notes for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

(in millions)	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 7.8	\$ 6.3	\$ 5.8
Amortization of financing costs	\$ 1.2	\$ 0.9	\$ 0.7
Amortization of premium	\$ (0.1)	\$ — (1)	\$ —
Effective interest rate	5.7%	5.7%	5.6%
Average debt outstanding	\$ 155.3	\$ 125.2	\$ 115.0

- (1) For the year ended December 31, 2016, the total amortization of premium was less than \$50 thousand.

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the Convertible Notes was \$155.3 million, \$155.3 million and \$115.0 million, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.

Unsecured Notes—On May 6, 2016, we issued \$50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “2016 Unsecured Notes”), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the “NPA”) and issued an additional \$40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued \$55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the “2017A Unsecured Notes” and together with the 2016 Unsecured Notes, the “Unsecured Notes”), pursuant to the NPA and a supplement to the NPA. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with our other unsecured indebtedness, including our Convertible Notes.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2018. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below \$150.0 million. In each such event, we have the option to offer to prepay the Unsecured Notes at par, in which case holders of the Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the Unsecured Notes at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Internal Revenue Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under our other indebtedness or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

(in millions)	Year Ended December 31,		
	2017(1)	2016(2)	2015(3)
Interest expense	\$ 6.1	\$ 2.3	\$ —
Amortization of financing costs	\$ 0.5	\$ 0.2	\$ —
Weighted average interest rate	5.2%	5.3%	—%
Effective interest rate	5.6%	5.8%	—%
Average debt outstanding	\$ 117.9	\$ 65.5	\$ —

- (1) For the year ended December 31, 2017, amounts reported include the 2017A Unsecured Notes for the period from June 30, 2017 (issuance of the 2017A Unsecured Notes) to December 31, 2017.
- (2) For the year ended December 31, 2016, amounts reported relate to the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.
- (3) Not applicable, as the Unsecured Notes were issued on May 6, 2016.

As of December 31, 2017 and December 31, 2016, the outstanding balances on the Unsecured Notes was \$145.0 million and \$90.0 million, respectively, and we were in compliance with the terms of the NPA.

SBA-guaranteed debentures—On August 1, 2014 and August 25, 2017, SBIC I and SBIC II received licenses from the SBA to operate as SBICs.

The SBIC license allows SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to us, 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 at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over our stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of December 31, 2017 and December 31, 2016, SBIC I had regulatory capital of approximately \$75.0 million and \$75.0 million, respectively, and SBA-guaranteed debentures outstanding of \$150.0 million and \$121.7 million, respectively. As of December 31, 2017, SBIC II had regulatory capital of \$2.5 million and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures.

The following table summarizes our SBA-guaranteed debentures as of December 31, 2017.

(in millions)				
Issuance Date	Maturity Date	Debt Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures:				
March 25, 2015	March 1, 2025	\$ 37.5	2.517%	0.355%
September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
September 20, 2017	September 1, 2027	13.0	2.518%	0.742%
Interim SBA-guaranteed debentures:				
	March 1, 2028 (1)	9.3	1.769%	0.742%
	March 1, 2028 (1)	6.0	1.781%	0.742%
Total SBA-guaranteed debentures		\$ 150.0		

(1) Estimated maturity date as interim SBA-guaranteed debentures are expected to pool in March 2018.

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

(in millions)	Years Ended December 31,		
	2017	2016	2015
Interest expense	\$ 4.2	\$ 3.8	\$ 1.7
Amortization of financing costs	\$ 0.4	\$ 0.4	\$ 0.2
Weighted average interest rate	3.1%	3.1%	2.4%
Effective interest rate	3.5%	3.5%	2.7%
Average debt outstanding	\$ 132.6	\$ 119.8	\$ 71.9

The SBIC program is designed to stimulate the flow of private investor capital into eligible small businesses, as defined by the SBA. Under SBA regulations, SBIC's are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBIC's are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2017, December 31, 2016, and December 31, 2015, SBIC I was in compliance with SBA regulatory requirements and as of December 31, 2017, SBIC II was in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2017 and December 31, 2016, we had outstanding commitments to third parties to fund investments totaling \$77.4 million and \$44.3 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of December 31, 2017 and December 31, 2016, we had commitment letters to purchase

investments in aggregate par amount of \$13.9 million and \$14.8 million, respectively. As of December 31, 2017 and December 31, 2016, we had not entered into any bridge financing commitments which could require funding in the future.

As of December 31, 2017 and December 31, 2016, we had unfunded commitments related to our equity investment in SLP II of \$0 and \$7.9 million, respectively, which had been funded at our discretion.

As of December 31, 2017, we owed \$12.0 million related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. We will make semi-annual payments of \$3.0 million beginning in June 2018, with the final payment due in December 2019. See *Item 3—Legal Proceedings* of this annual report on Form 10-K for additional details.

Contractual Obligations

A summary of our significant contractual payment obligations as of December 31, 2017 is as follows:

(in millions)	Contractual Obligations Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	\$ 312.4	\$ —	\$ —	\$ 312.4	\$ —
Convertible Notes(2)	155.3	—	155.3	—	—
SBA-guaranteed debentures(3)	150.0	—	—	—	150.0
Unsecured Notes(4)	145.0	—	—	145.0	—
NMFC Credit Facility(5)	122.5	—	122.5	—	—
Total Contractual Obligations	\$ 885.2	\$ —	\$ 277.8	\$ 457.4	\$ 150.0

- (1) Under the terms of the \$495.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$312.4 million as of December 31, 2017) must be repaid on or before October 24, 2022. As of December 31, 2017, there was approximately \$182.6 million of possible capacity remaining under the Holdings Credit Facility.
- (2) The \$155.3 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.
- (3) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.
- (4) The \$90.0 million 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased and \$55.0 million of 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased.
- (5) Under the terms of the \$122.5 million NMFC Credit Facility, all outstanding borrowings under that facility (\$122.5 million as of December 31, 2017) must be repaid on or before June 4, 2019. As of December 31, 2017, there was no capacity remaining under the NMFC Credit Facility.

We have entered into the Investment Management Agreement with the Investment Adviser in accordance with the 1940 Act. Under the Investment Management Agreement, the Investment Adviser has agreed to provide us with investment advisory and management services. We have agreed to pay for these services (1) a management fee and (2) an incentive fee based on our performance.

We have also entered into the administration agreement, as amended and restated (the "Administration Agreement") with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office space for us and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to conduct our respective day-to-day operations. The Administrator has also agreed to maintain, or oversee the maintenance of, our financial records, our reports to stockholders and reports filed with the SEC.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that are entered into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under the Investment Management Agreement and the Administration Agreement.

Distributions and Dividends

Distributions declared and paid to stockholders for the year ended December 31, 2017 totaled \$100.9 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the years ended December 31, 2017 and December 31, 2016:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount
December 31, 2017				
Fourth Quarter	November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
Third Quarter	August 4, 2017	September 15, 2017	September 29, 2017	0.34
Second Quarter	May 4, 2017	June 16, 2017	June 30, 2017	0.34
First Quarter	February 23, 2017	March 17, 2017	March 31, 2017	0.34
				\$ 1.36
December 31, 2016				
Fourth Quarter	November 4, 2016	December 15, 2016	December 29, 2016	\$ 0.34
Third Quarter	August 2, 2016	September 16, 2016	September 30, 2016	0.34
Second Quarter	May 3, 2016	June 16, 2016	June 30, 2016	0.34
First Quarter	February 22, 2016	March 17, 2016	March 31, 2016	0.34
				\$ 1.36

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2017 and December 31, 2016, total distributions were \$100.9 million and \$88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a RIC. We intend to distribute approximately all of our net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment.

We maintain an "opt out" dividend reinvestment plan on behalf of our common stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See *Item 8—Financial Statements and Supplementary Data—Note 2. Summary of Significant Accounting Policies* for additional details regarding our dividend reinvestment plan.

Related Parties

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

- We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.
- We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the

Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the year ended December 31, 2017, approximately \$1.6 million of indirect administrative expenses were included in administrative expenses, of which \$0.4 million were waived by the Administrator. As of December 31, 2017, \$0.4 million of indirect administrative expenses were included in payable to affiliates.

- We, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, to our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the year ended December 31, 2017, certain of the loans held in our portfolio had floating interest rates. As of December 31, 2017, approximately 86.5% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 13.5% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on December 31, 2017. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of December 31, 2017. Interest expense on our floating rate credit facilities are calculated using the interest rate as of December 31, 2017, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of December 31, 2017. These hypothetical calculations are based on a model of the investments in our portfolio, held as of December 31, 2017, and are only adjusted for assumed changes in the underlying base interest rates.

Actual results could differ significantly from those estimated in the table.

Change in Interest Rates	Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)
-25 Basis Points	0.08 % (1)
Base Interest Rate	—%
+100 Basis Points	7.53 %
+200 Basis Points	15.10 %
+300 Basis Points	22.67 %

- (1) Limited to the lesser of the December 31, 2017 LIBOR rates or a decrease of 25 basis points.

We were not exposed to any foreign currency exchange risks as of December 31, 2017.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New Mountain Finance Corporation

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated statements of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2017, the consolidated financial highlights for each of the five years in the period ended December 31, 2017, and the related notes. In our opinion, the consolidated financial statements and consolidated financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2017, and the financial highlights for each of the five years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2017 and 2016, by correspondence with the custodian, loan agents and borrowers; where replies were not received we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 28, 2018

We have served as the Company's auditor since 2008.

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities
(in thousands, except shares and per share data)

	December 31, 2017	December 31, 2016
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,438,889 and \$1,379,603, respectively)	\$ 1,462,182	\$ 1,346,556
Non-controlled/affiliated investments (cost of \$180,380 and \$54,996, respectively)	178,076	57,440
Controlled investments (cost of \$171,958 and \$140,579, respectively)	185,402	154,821
Total investments at fair value (cost of \$1,791,227 and \$1,575,178, respectively)	1,825,660	1,558,817
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	25,212	29,218
Cash and cash equivalents	34,936	45,928
Interest and dividend receivable	31,844	17,833
Receivable from affiliates	343	346
Receivable from unsettled securities sold	—	990
Other assets	10,023	2,886
Total assets	\$ 1,928,018	\$ 1,656,018
Liabilities		
Borrowings		
Holdings Credit Facility	\$ 312,363	\$ 333,513
Convertible Notes	155,412	155,523
SBA-guaranteed debentures	150,000	121,745
Unsecured Notes	145,000	90,000
NMFC Credit Facility	122,500	10,000
Deferred financing costs (net of accumulated amortization of \$16,578 and \$12,279, respectively)	(15,777)	(14,041)
Net borrowings	869,498	696,740
Management fee payable	7,065	5,852
Incentive fee payable	6,671	5,745
Interest payable	5,107	3,172
Deferred tax liability	894	1,034
Payable to affiliates	863	136
Payable for unsettled securities purchased	—	2,740
Other liabilities	2,945	2,037
Total liabilities	893,043	717,456
Commitments and contingencies (See Note 9)		
Net assets		
Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued	—	—
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 75,935,093 and 69,755,387 shares issued, respectively, and 75,935,093 and 69,717,814 shares outstanding, respectively	759	698
Paid in capital in excess of par	1,053,468	1,001,862
Treasury stock at cost, 0 and 37,573 shares held, respectively	—	(460)
Accumulated undistributed net investment income	39,165	2,073
Accumulated undistributed net realized (losses) gains on investments	(76,681)	(36,947)
Net unrealized appreciation (depreciation) (net of provision for taxes of \$894 and \$1,034, respectively)	18,264	(28,664)
Total net assets	\$ 1,034,975	\$ 938,562
Total liabilities and net assets	\$ 1,928,018	\$ 1,656,018
Number of shares outstanding	75,935,093	69,717,814
Net asset value per share	\$ 13.63	\$ 13.46

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Statements of Operations
(in thousands, except shares and per share data)

	Year Ended December 31,		
	2017	2016	2015
Investment income			
From non-controlled/non-affiliated investments:			
Interest income	\$ 145,283	\$ 140,983	\$ 132,665
Dividend income	159	220	(407)
Non-cash dividend income	811	—	—
Other income	8,751	7,708	5,996
From non-controlled/affiliated investments:			
Interest income	2,808	4,538	5,402
Dividend income	3,498	3,728	3,619
Non-cash dividend income	12,627	156	—
Other income	1,186	1,193	1,965
From controlled investments:			
Interest income	1,709	1,904	2,007
Dividend income	15,740	4,073	—
Non-cash dividend income	4,415	3,023	2,559
Other income	819	558	49
Total investment income	197,806	168,084	153,855
Expenses			
Incentive fee	25,101	22,011	20,591
Management fee	32,694	27,551	25,858
Interest and other financing expenses	37,094	28,452	23,374
Professional fees	3,658	3,087	3,214
Administrative expenses	2,779	2,683	2,450
Other general and administrative expenses	1,636	1,589	1,665
Total expenses	102,962	85,373	77,152
Less: management and incentive fees waived (see Note 5)	(7,442)	(4,824)	(5,219)
Less: expenses waived and reimbursed (see Note 5)	(474)	(725)	(733)
Net expenses	95,046	79,824	71,200
Net investment income before income taxes	102,760	88,260	82,655
Income tax expense	556	152	160
Net investment income	102,204	88,108	82,495
Net realized (losses) gains:			
Non-controlled/non-affiliated investments	(39,734)	(16,717)	(12,789)
Net change in unrealized appreciation (depreciation):			
Non-controlled/non-affiliated investments	56,340	30,742	(40,807)
Non-controlled/affiliated investments	(4,748)	1,315	(633)
Controlled investments	(798)	8,074	6,168
Securities purchased under collateralized agreements to resell	(4,006)	(486)	(296)
Benefit (provision) for taxes	140	642	(1,183)
Net realized and unrealized gains (losses)	7,194	23,570	(49,540)
Net increase in net assets resulting from operations	\$ 109,398	\$ 111,678	\$ 32,955
Basic earnings per share	\$ 1.47	\$ 1.72	\$ 0.55
Weighted average shares of common stock outstanding—basic (See Note 12)	74,171,268	64,918,191	59,715,290
Diluted earnings per share	\$ 1.38	\$ 1.60	\$ 0.55
Weighted average shares of common stock outstanding—diluted (See Note 12)	83,995,395	72,863,387	66,968,089
Distributions declared and paid per share	\$ 1.36	\$ 1.36	\$ 1.36

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Statements of Changes in Net Assets
(in thousands, except share data)

	Year Ended December 31,		
	2017	2016	2015
Increase (decrease) in net assets resulting from operations:			
Net investment income	\$ 102,204	\$ 88,108	\$ 82,495
Net realized (losses) gains on investments	(39,734)	(16,717)	(12,789)
Net change in unrealized appreciation (depreciation) of investments	50,794	40,131	(35,272)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(4,006)	(486)	(296)
Benefit (provision) for taxes	140	642	(1,183)
Net increase in net assets resulting from operations	109,398	111,678	32,955
Capital transactions			
Net proceeds from shares sold	81,478	79,063	79,415
Deferred offering costs	(172)	(328)	(285)
Other	(81)	—	—
Distributions declared to stockholders from net investment income	(100,905)	(88,764)	(81,002)
Reinvestment of distributions	6,695	2,953	3,655
Repurchase of shares under repurchase program	—	(2,948)	—
Total net (decrease) increase in net assets resulting from capital transactions	(12,985)	(10,024)	1,783
Net increase in net assets	96,413	101,654	34,738
Net assets at the beginning of the period	938,562	836,908	802,170
Net assets at the end of the period(1)	\$ 1,034,975	\$ 938,562	\$ 836,908
Capital share activity			
Shares sold	5,750,000	5,750,000	5,750,000
Shares issued from reinvestment of distributions	429,706	—	257,497
Shares reissued from repurchase program in connection with reinvestment of distributions	37,573	210,926	—
Shares repurchased under repurchase program	—	(248,499)	—
Net increase in shares outstanding	6,217,279	5,712,427	6,007,497

(1) For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, includes accumulated undistributed net investment income of \$39,165, \$2,073 and \$4,164, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net increase in net assets resulting from operations	\$ 109,398	\$ 111,678	\$ 32,955
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized losses (gains) on investments	39,734	16,717	12,789
Net change in unrealized (appreciation) depreciation of investments	(50,794)	(40,131)	35,272
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	4,006	486	296
Amortization of purchase discount	(9,202)	(3,096)	(2,511)
Amortization of deferred financing costs	4,299	3,457	2,955
Amortization of premium on Convertible Notes	(111)	(28)	—
Non-cash investment income	(9,367)	(7,644)	(5,978)
(Increase) decrease in operating assets:			
Purchase of investments and delayed draw facilities	(1,000,229)	(557,897)	(609,667)
Proceeds from sales and paydowns of investments	767,360	547,078	483,936
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	552	177	157
Cash paid for purchase of drawn portion of revolving credit facilities	—	(348)	(3,227)
Cash paid for drawn revolvers	(24,615)	(11,651)	(4,376)
Cash repayments on drawn revolvers	19,718	10,202	6,052
Interest and dividend receivable	(14,011)	(4,001)	(2,088)
Receivable from affiliates	3	14	130
Receivable from unsettled securities sold	990	(990)	8,912
Other assets	(6,523)	(1,080)	(156)
Increase (decrease) in operating liabilities:			
Management fee payable	1,213	386	322
Incentive fee payable	926	123	819
Interest payable	1,935	829	991
Deferred tax (benefit) liability	(140)	(642)	1,183
Payable to affiliates	727	(428)	(258)
Payable for unsettled securities purchased	(2,740)	(2,701)	(21,019)
Other liabilities	558	(2)	(836)
Net cash flows (used in) provided by operating activities	(166,313)	60,508	(63,347)
Cash flows from financing activities			
Net proceeds from shares sold	81,478	79,063	79,415
Distributions paid	(94,210)	(85,811)	(77,347)
Offering costs paid	(441)	(261)	(325)
Proceeds from Holdings Credit Facility	505,450	177,600	400,355
Repayment of Holdings Credit Facility	(526,600)	(263,400)	(449,150)
Proceeds from Convertible Notes	—	40,552	—
Proceeds from SBA-guaranteed debentures	28,255	4,000	80,245
Proceeds from Unsecured Notes	55,000	90,000	—
Proceeds from NMFC Credit Facility	354,600	166,500	148,800
Repayment of NMFC Credit Facility	(242,100)	(246,500)	(108,800)
Deferred financing costs paid	(6,030)	(3,477)	(3,189)
Repurchase of shares under repurchase program	—	(2,948)	—
Other	(81)	—	—
Net cash flows provided by (used in) financing activities	155,321	(44,682)	70,004
Net (decrease) increase in cash and cash equivalents	(10,992)	15,826	6,657
Cash and cash equivalents at the beginning of the period	45,928	30,102	23,445
Cash and cash equivalents at the end of the period	\$ 34,936	\$ 45,928	\$ 30,102
Supplemental disclosure of cash flow information			
Cash interest paid	\$ 29,658	\$ 23,768	\$ 18,683
Income taxes paid	414	85	217
Non-cash operating activities:			
Non-cash activity on investments	\$ 12,858	\$ 7,186	\$ 60,652
Non-cash financing activities:			
Value of shares issued in connection with reinvestment of distributions	\$ 6,135	\$ —	\$ 3,655
Value of shares reissued from repurchase program in connection with reinvestment of distributions	560	2,953	—

Accrual for offering costs	944	598	638
Accrual for deferred financing costs	103	99	81

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments
December 31, 2017
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.94% (L + 9.50%/Q)	1/31/2023	\$ 40,000	\$ 39,033	\$ 39,000	3.77 %
Shine Acquisition Co. S.à.r.l/ Boing US Holdco Inc.**							
Consumer Services	Second lien (3)	8.88% (L + 7.50%/Q)	10/3/2025	40,353	40,056	40,656	3.93 %
Total Funded Debt Investments - United Kingdom				\$ 80,353	\$ 79,089	\$ 79,656	7.70 %
Funded Debt Investments - United States							
AmWINS Group, Inc.							
Business Services	Second lien (3)	8.32% (L + 6.75%/M)	1/25/2025	\$ 57,000	\$ 56,804	\$ 57,606	5.57 %
Alegeus Technologies, LLC							
Healthcare Services	Second lien (3)(10)	10.19% (L + 8.50%/Q)	10/30/2023	23,500	23,500	23,500	
	Second lien (4)(10)	10.19% (L + 8.50%/Q)	10/30/2023	22,500	22,500	22,500	
				46,000	46,000	46,000	4.44 %
PetVet Care Centers LLC							
Consumer Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	6/8/2023	34,527	34,409	34,872	
	First lien (3)(10)(11) - Drawn	7.55% (L + 6.00%/Q)	6/8/2023	8,646	8,616	8,733	
	First lien (3)(10)(11) - Drawn	9.50% (P + 5.00%/Q)	6/8/2023	2,200	2,192	2,200	
				45,373	45,217	45,805	4.43 %
Integro Parent Inc.							
Business Services	First lien (2)	7.16% (L + 5.75%/Q)	10/31/2022	34,873	34,601	34,786	
	Second lien (3)	10.63% (L + 9.25%/Q)	10/30/2023	10,000	9,920	9,800	
				44,873	44,521	44,586	4.31 %
Severin Acquisition, LLC							
Software	Second lien (4)(10)	10.32% (L + 8.75%/M)	7/29/2022	15,000	14,891	15,000	
	Second lien (3)(10)	10.32% (L + 8.75%/M)	7/29/2022	14,518	14,361	14,518	
	Second lien (4)(10)	10.32% (L + 8.75%/M)	7/29/2022	4,154	4,123	4,154	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	7/29/2022	3,273	3,248	3,273	
	Second lien (3)(10)	10.57% (L + 9.00%/M)	7/29/2022	2,361	2,341	2,361	
	Second lien (3)(10)	10.82% (L + 9.25%/M)	7/29/2022	1,825	1,810	1,825	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	7/29/2022	300	298	300	
				41,431	41,072	41,431	4.00 %
Salient CRGT Inc.							
Federal Services	First lien (2)	7.32% (L + 5.75%/M)	2/28/2022	40,894	40,421	41,251	3.99 %
Tenawa Resource Holdings LLC (13)							
Tenawa Resource Management LLC							
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	10/30/2024	39,900	39,835	39,900	3.86 %

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
December 31, 2017
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.69% (L + 6.00%/Q)	4/20/2021	\$ 19,111	\$ 18,996	\$ 19,134	
	First lien (2)	7.69% (L + 6.00%/Q)	4/20/2021	7,714	7,603	7,724	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	4/20/2021	6,005	5,891	6,013	
	First lien (4)	7.69% (L + 6.00%/Q)	4/20/2021	2,650	2,632	2,654	
	First lien (2)	7.69% (L + 6.00%/Q)	4/20/2021	1,632	1,606	1,634	
	First lien (4)	7.69% (L + 6.00%/Q)	4/20/2021	495	487	496	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	4/20/2021	1,426	1,412	1,428	
				<u>39,033</u>	<u>38,627</u>	<u>39,083</u>	3.78 %
Frontline Technologies Group Holdings, LLC							
Education	First lien (2)(10)	8.09% (L + 6.50%/Q)	9/18/2023	16,750	16,629	16,625	
	First lien (4)(10)	8.09% (L + 6.50%/Q)	9/18/2023	22,613	22,450	22,444	
				<u>39,363</u>	<u>39,079</u>	<u>39,069</u>	3.77 %
Kronos Incorporated							
Software	Second lien (2)	9.63% (L + 8.25%/Q)	11/1/2024	36,000	35,508	37,449	3.62 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)(10)	8.57% (L + 7.00%/M)	9/24/2021	29,325	29,078	29,325	
	First lien (2)(10)	8.57% (L + 7.00%/M)	9/24/2021	3,731	3,697	3,731	
				<u>33,056</u>	<u>32,775</u>	<u>33,056</u>	3.19 %
Evo Payments International, LLC							
Business Services	Second lien (2)	10.57% (L + 9.00%/M)	12/23/2024	25,000	24,824	25,250	
	Second lien (3)	10.57% (L + 9.00%/M)	12/23/2024	5,000	5,052	5,050	
				<u>30,000</u>	<u>29,876</u>	<u>30,300</u>	2.93 %
Wirepath LLC							
Distribution & Logistics	First lien (2)	6.87% (L + 5.25%/Q)	8/5/2024	27,731	27,598	28,112	2.72 %
Ansira Holdings, Inc.							
Business Services	First lien (2)	8.19% (L + 6.50%/Q)	12/20/2022	25,920	25,809	25,855	
	First lien (3)(11) - Drawn	8.19% (L + 6.50%/Q)	12/20/2022	2,107	2,097	2,102	
				<u>28,027</u>	<u>27,906</u>	<u>27,957</u>	2.70 %
TW-NHME Holdings Corp. (20)							
National HME, Inc.							
Healthcare Services	Second lien (4)(10)	10.95% (L + 9.25%/Q)	7/14/2022	21,500	21,301	21,646	
	Second lien (3)(10)	10.95% (L + 9.25%/Q)	7/14/2022	5,800	5,737	5,839	
				<u>27,300</u>	<u>27,038</u>	<u>27,485</u>	2.66 %
Navicare, Inc.							
Healthcare Services	Second lien (3)	8.86% (L + 7.50%/M)	10/31/2025	26,952	26,819	27,154	2.62 %
Trader Interactive, LLC							
Business Services	First lien (2)(10)	7.50% (L + 6.00%/M)	6/17/2024	27,190	26,999	26,986	2.61 %
Marketo, Inc.							
Software	First lien (3)(10)	11.19% (L + 9.50%/Q)	8/16/2021	26,820	26,509	26,820	2.59 %
Keystone Acquisition Corp.							
Healthcare Services	First lien (2)	6.94% (L + 5.25%/Q)	5/1/2024	19,950	19,764	20,087	
	Second lien (3)	10.94% (L + 9.25%/Q)	5/1/2025	4,500	4,457	4,511	
				<u>24,450</u>	<u>24,221</u>	<u>24,598</u>	2.38 %

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iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	8/4/2022	\$ 17,589	\$ 17,464	\$ 17,589	
	First lien (4)(10)	7.74% (L + 6.25%/M)	8/4/2022	4,577	4,556	4,554	
	First lien (2)(10)	7.74% (L + 6.25%/M)	8/4/2022	1,161	1,155	1,155	
	First lien (4)(10)	7.74% (L + 6.25%/M)	8/4/2022	511	508	508	
				<u>23,838</u>	<u>23,683</u>	<u>23,806</u>	2.30 %
AAC Holding Corp.							
Education	First lien (2)(10)	9.62% (L + 8.25%/M)	9/30/2020	23,161	22,953	23,161	2.24 %
BackOffice Associates Holdings, LLC							
Business Services	First lien (2)(10)	8.06% (L + 6.50%/M)	8/25/2023	22,869	22,679	22,669	2.19 %
TWDiamondback Holdings Corp. (15)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)(10)	10.49% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,895	
	First lien (3)(10)	10.44% (L + 8.75%/Q)	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	10.44% (L + 8.75%/Q)	11/19/2019	605	605	605	
				<u>22,658</u>	<u>22,658</u>	<u>22,658</u>	2.19 %
EN Engineering, LLC							
Business Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	6/30/2021	20,893	20,760	20,893	
	First lien (2)(10)	7.69% (L + 6.00%/Q)	6/30/2021	1,208	1,200	1,208	
				<u>22,101</u>	<u>21,960</u>	<u>22,101</u>	2.14 %
Avatar Topco, Inc (23)							
EAB Global, Inc.							
Education	Second lien (3)	8.99% (L + 7.50%/M)	11/17/2025	21,450	21,132	21,236	2.05 %
DigiCert Holdings, Inc.							
Business Services	Second lien (3)	9.38% (L + 8.00%/Q)	10/31/2025	20,176	20,077	20,347	1.97 %
DiversiTech Holdings, Inc.							
Distribution & Logistics	Second lien (3)	9.20% (L + 7.50%/Q)	6/2/2025	19,500	19,315	19,744	1.91 %
ABILITY Network Inc.							
Healthcare Information Technology	Second lien (3)	9.21% (L + 7.75%/M)	12/12/2025	18,851	18,839	18,945	1.83 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)(10)	7.35% (L + 6.00%/Q)	4/18/2024	18,413	18,243	18,597	1.80 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)(10)	9.82% (L + 8.25%/M)	7/23/2020	18,500	18,409	18,500	1.79 %
VF Holding Corp.							
Software	Second lien (3)(10)	10.57% (L + 9.00%/M)	6/28/2024	17,086	17,396	17,598	1.70 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)(10)	6.94% (L + 5.25%/Q)	7/2/2021	17,453	17,344	17,453	1.69 %
OEConnection LLC							
Business Services	Second lien (3)	9.69% (L + 8.00%/Q)	11/22/2025	16,841	16,548	16,841	1.63 %
TIBCO Software Inc.							
Software	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,714	16,378	1.58 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	15,520	15,267	16,063	1.55 %
Hill International, Inc.**							
Business Services	First lien (2)(10)	7.32% (L + 5.75%/M)	6/21/2023	15,721	15,648	15,642	1.51 %
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien (2)	10.98% (L + 9.50%/Q)	10/19/2023	15,000	14,686	15,075	1.46 %

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Transcendia Holdings, Inc.							
Packaging	Second lien (3)	9.57% (L + 8.00%/M)	5/30/2025	\$ 14,500	\$ 14,309	\$ 14,391	1.39 %
SW Holdings, LLC							
Business Services	Second lien (4)(10)	10.44% (L + 8.75%/Q)	12/30/2021	14,265	14,167	14,331	1.38 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)							
Federal Services	First lien (2)	6.95% (L + 5.25%/Q)	4/29/2024	14,030	13,987	14,135	1.37 %
Ministry Brands, LLC							
Software	First lien (3)	6.38% (L + 5.00%/Q)	12/2/2022	2,993	2,980	2,993	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/M)	12/2/2022	1,000	995	1,000	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	6/2/2023	7,840	7,788	7,840	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	6/2/2023	2,160	2,146	2,160	
				<u>13,993</u>	<u>13,909</u>	<u>13,993</u>	1.35 %
nThrive, Inc. (fka Precyse Acquisition Corp.)							
Healthcare Services	Second lien (2)(10)	11.32% (L + 9.75%/M)	4/20/2023	13,000	12,813	12,702	1.23 %
FR Arsenal Holdings II Corp.							
Business Services	First lien (2)(10)	8.81% (L + 7.25%/Q)	9/8/2022	12,356	12,252	12,373	1.19 %
Amerijet Holdings, Inc.							
Distribution & Logistics	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2021	10,403	10,344	10,458	
	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2021	1,734	1,724	1,743	
				<u>12,137</u>	<u>12,068</u>	<u>12,201</u>	1.18 %
SSH Group Holdings, Inc.							
Education	First lien (2)(10)	6.69% (L + 5.00%/Q)	10/2/2024	8,407	8,366	8,365	
	Second lien (3)(10)	10.69% (L + 9.00%/Q)	10/2/2025	3,363	3,330	3,329	
				<u>11,770</u>	<u>11,696</u>	<u>11,694</u>	1.13 %
ProQuest LLC							
Business Services	Second lien (3)	10.55% (L + 9.00%/M)	12/15/2022	11,620	11,440	11,620	1.12 %
Xaetly Corporation							
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	7/29/2022	11,600	11,492	11,484	1.11 %
Zywave, Inc.							
Software	Second lien (4)(10)	10.42% (L + 9.00%/Q)	11/17/2023	11,000	10,927	11,011	
	First lien (3)(10)(11) - Drawn	8.50% (P + 4.00%/Q)	11/17/2022	200	199	200	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/Q)	11/17/2022	250	248	250	
				<u>11,450</u>	<u>11,374</u>	<u>11,461</u>	1.11 %
QC McKissock Investment, LLC (14)							
McKissock, LLC							
Education	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/5/2021	6,415	6,386	6,415	
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/5/2021	3,058	3,046	3,058	
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/5/2021	987	983	987	
				<u>10,460</u>	<u>10,415</u>	<u>10,460</u>	1.01 %
Masergy Holdings, Inc.							
Business Services	Second lien (2)	10.19% (L + 8.50%/Q)	12/16/2024	10,000	9,943	10,144	0.98 %
Idera, Inc.							
Software	Second lien (4)	10.57% (L + 9.00%/M)	6/27/2025	10,000	9,856	10,100	0.97 %
Quest Software US Holdings Inc.							
Software	First lien (2)	6.92% (L + 5.50%/Q)	10/31/2022	9,899	9,775	10,071	0.97 %

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PowerPlan Holdings, Inc.							
Software	Second lien (2)(10)	10.57% (L + 9.00%/M)	2/23/2023	\$ 10,000	\$ 9,927	\$ 10,000	0.97 %
WD Wolverine Holdings, LLC							
Healthcare Services	First lien (2)	7.07% (L + 5.50%/M)	8/16/2022	9,813	9,534	9,512	0.92 %
Pelican Products, Inc.							
Business Products	Second lien (2)	9.94% (L + 8.25%/Q)	4/9/2021	9,500	9,533	9,500	0.92 %
J.D. Power (fka J.D. Power and Associates)							
Business Services	Second lien (3)	10.19% (L + 8.50%/Q)	9/7/2024	9,333	9,230	9,473	0.91 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.63% (L + 9.25%/Q)	12/20/2019	9,000	8,929	8,955	0.86 %
JAMF Holdings, Inc.							
Software	First lien (3)(10)	9.41% (L + 8.00%/Q)	11/11/2022	8,757	8,672	8,670	0.84 %
Autodata, Inc. (Autodata Solutions, Inc.)							
Business Services	Second lien (3)	8.82% (L + 7.25%/Q)	12/12/2025	7,406	7,387	7,387	0.71 %
MH Sub I, LLC (Micro Holding Corp.)							
Software	Second lien (3)	9.09% (L + 7.50%/Q)	9/15/2025	7,000	6,932	7,048	0.68 %
First American Payment Systems, L.P.							
Business Services	First lien (2)	7.14% (L + 5.75%/M)	1/5/2024	6,844	6,783	6,880	0.66 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,791	5,650	0.55 %
Pathway Partners Vet Management Company LLC							
Consumer Services	Second lien (4)	9.57% (L + 8.00%/M)	10/10/2025	5,556	5,527	5,527	0.53 %
Applied Systems, Inc.							
Software	Second lien (3)	8.69% (L + 7.00%/Q)	9/19/2025	4,923	4,923	5,106	0.49 %
ADG, LLC							
Healthcare Services	Second lien (3)(10)	10.57% (L + 9.00%/M)	3/28/2024	5,000	4,934	5,038	0.49 %
Vencore, Inc. (fka The SI Organization Inc.)							
Federal Services	Second lien (3)	10.44% (L + 8.75%/Q)	5/23/2020	4,400	4,350	4,450	0.43 %
Affinity Dental Management, Inc.							
Healthcare Services	First lien (2)(10)	7.59% (L + 6.00%/Q)	9/15/2023	4,344	4,302	4,301	0.41 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,940	0.28 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,946	2,125	0.20 %
Education Management Corporation (12)							
Education Management II LLC							
Education	First lien (2)	5.85% (L + 4.50%/Q)	7/2/2020	211	205	82	
	First lien (3)	5.85% (L + 4.50%/Q)	7/2/2020	119	116	46	
	First lien (2)	8.85% (L + 7.50%/Q)	7/2/2020	475	437	10	
	First lien (3)	8.85% (L + 7.50%/Q)	7/2/2020	268	247	6	
				1,073	1,005	144	0.01 %
Total Funded Debt Investments - United States				\$ 1,319,560	\$ 1,309,577	\$ 1,325,328	128.05 %
Total Funded Debt Investments				\$ 1,399,913	\$ 1,388,666	\$ 1,404,984	135.75 %

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Equity - Hong Kong							
Bach Special Limited (Bach Preference Limited)**							
Education	Preferred shares (3)(10)(22)	—	—	58,868	\$ 5,807	\$ 5,806	0.56 %
Total Shares - Hong Kong					\$ 5,807	\$ 5,806	0.56 %
Equity - United States							
Avatar Topco, Inc. (23)							
Education	Preferred shares (3)(10)(23)	—	—	35,750	\$ 35,220	\$ 35,204	3.40 %
Tenawa Resource Holdings LLC (13)							
QID NGL LLC							
Energy	Ordinary shares (7)(10)	—	—	5,290,997	5,291	8,154	
	Preferred shares (7)(10)	—	—	620,706	621	1,007	
					5,912	9,161	0.88 %
TWDiamondback Holdings Corp. (15)							
Distribution & Logistics	Preferred shares (4)(10)	—	—	200	2,000	4,508	0.44 %
TW-NHME Holdings Corp. (20)							
Healthcare Services	Preferred shares (4)(10)	—	—	100	1,000	944	
	Preferred shares (4)(10)	—	—	16	158	149	
	Preferred shares (4)(10)	—	—	6	68	58	
					1,226	1,151	0.11 %
Ancora Acquisition LLC							
Education	Preferred shares (6)(10)	—	—	372	83	393	0.04 %
Education Management Corporation (12)							
Education	Preferred shares (2)	—	—	3,331	200	—	
	Preferred shares (3)	—	—	1,879	113	—	
	Ordinary shares (2)	—	—	2,994,065	100	10	
	Ordinary shares (3)	—	—	1,688,976	56	6	
					469	16	0.00 %
Total Shares - United States					\$ 44,910	\$ 50,433	4.87 %
Total Shares					\$ 50,717	\$ 56,239	5.43 %
Warrants - United States							
ASP LCG Holdings, Inc.							
Education	Warrants (3)(10)	—	5/5/2026	622	\$ 37	\$ 1,089	0.11 %
Ancora Acquisition LLC							
Education	Warrants (6)(10)	—	8/12/2020	20	—	—	— %
YP Equity Investors, LLC							
Media	Warrants (5)(10)	—	5/8/2022	5	—	—	— %
Total Warrants - United States					\$ 37	\$ 1,089	0.11 %
Total Funded Investments					\$ 1,439,420	\$ 1,462,312	141.29 %
Unfunded Debt Investments - United States							
PetVet Care Centers LLC							
Consumer Services	First lien (3)(10)(11) - Undrawn	—	6/8/2019	\$ 4,439	\$ (16)	\$ 44	0.00 %

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VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	\$ 1,274	\$ (13)	\$ 2	
	First lien (3)(11) - Undrawn	—	12/29/2019	8,552	(75)	11	
				<u>9,826</u>	<u>(88)</u>	<u>13</u>	0.00 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2021	2,100	(21)	—	
	First lien (3)(10)(11) - Undrawn	—	12/20/2019	13,465	(118)	—	
				<u>15,565</u>	<u>(139)</u>	<u>—</u>	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2021	1,000	(10)	—	— %
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(10)(11) - Undrawn	—	9/24/2021	3,750	(47)	—	— %
Zywave, Inc.							
Software	First lien (3)(10)(11) - Undrawn	—	11/17/2022	1,550	(12)	—	— %
Marketo, Inc.							
Software	First lien (3)(10)(11) - Undrawn	—	8/16/2021	1,788	(27)	—	— %
Ansira Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/20/2018	1,700	(9)	(4)	(0.00)%
JAMF Holdings, Inc.							
Software	First lien (3)(10)(11) - Undrawn	—	11/11/2022	750	(8)	(8)	(0.00)%
Xactly Corporation							
Software	First lien (3)(10)(11) - Undrawn	—	7/29/2022	992	(10)	(10)	(0.00)%
Pathway Partners Vet Management Company LLC							
Consumer Services	Second lien (4)(11) - Undrawn	—	10/10/2019	2,444	(12)	(12)	(0.00)%
Trader Interactive, LLC							
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2023	1,673	(13)	(13)	(0.00)%
BackOffice Associates Holdings, LLC							
Business Services	First lien (3)(10)(11) - Undrawn	—	8/24/2018	3,448	(13)	(13)	
	First lien (3)(10)(11) - Undrawn	—	8/25/2023	2,586	(23)	(23)	
				<u>6,034</u>	<u>(36)</u>	<u>(36)</u>	(0.00)%

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Affinity Dental Management, Inc.							
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	3/15/2019	\$ 11,584	\$ (29)	\$ (29)	
	First lien (3)(10)(11) - Undrawn	—	3/15/2023	1,738	(17)	(17)	
				<u>13,322</u>	<u>(46)</u>	<u>(46)</u>	(0.00)%
Frontline Technologies Group Holdings, LLC							
Education	First lien (3)(10)(11) - Undrawn	—	9/18/2019	7,738	(58)	(58)	(0.01)%
Total Unfunded Debt Investments - United States				\$ 72,571	\$ (531)	\$ (130)	(0.01)%
Total Non-Controlled/Non-Affiliated Investments				\$ 1,438,889	\$ 1,462,182	141.28 %	
Non-Controlled/Affiliated Investments(24)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(10)(11) - Drawn	5.00%/M	6/9/2020	\$ 3,172	\$ 3,172	\$ 3,172	
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2020	4,491	4,486	4,491	
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2020	16,760	16,760	13,408	
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2020	4,123	4,123	3,298	
				<u>28,546</u>	<u>28,541</u>	<u>24,369</u>	2.36 %
Permian Holdco 1, Inc.							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(10)	14.00% PIK/Q*	10/15/2021	2,007	2,007	2,007	
	Subordinated (3)(10)(11) - Drawn	14.00% PIK/Q*	10/15/2021	696	696	696	
				<u>2,703</u>	<u>2,703</u>	<u>2,703</u>	0.26 %
Total Funded Debt Investments - United States				\$ 31,249	\$ 31,244	\$ 27,072	2.62 %
Equity - United States							
HI Technology Corp.							
Business Services	Preferred shares (3)(10)(21)	—	—	2,768,000	\$ 105,155	\$ 105,155	10.16 %
NMFC Senior Loan Program 1 LLC**							
Investment Fund	Membership interest (3)(10)	—	—	—	23,000	23,000	2.22 %
Sierra Hamilton Holdings Corporation							
Energy	Ordinary shares (2)(10)	—	—	25,000,000	11,501	11,094	
	Ordinary shares (3)(10)	—	—	2,786,000	1,281	1,236	
					<u>12,782</u>	<u>12,330</u>	1.19 %
Permian Holdco 1, Inc.							
Energy	Preferred shares (3)(10)(17)	—	—	1,569,226	6,829	8,631	
	Ordinary shares (3)(10)	—	—	1,366,452	1,350	1,399	
					<u>8,179</u>	<u>10,030</u>	0.97 %

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
December 31, 2017
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
Edmentum Ultimate Holdings, LLC (16)								
Education	Ordinary shares (3)(10)	—	—	123,968	\$ 11	\$ 262		
	Ordinary shares (2)(10)	—	—	107,143	9	227		
					20	489	0.05 %	
Total Shares - United States					\$ 149,136	\$ 151,004	14.59 %	
Total Funded Investments					\$ 180,380	\$ 178,076	17.21 %	
Unfunded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (16)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(10)(11) - Undrawn	—	6/9/2020	\$ 1,709	\$ —	\$ —	— %	
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Energy	Subordinated (3)(10)(11) - Undrawn	—	10/15/2021	342	—	—	— %	
Total Unfunded Debt Investments - United States					\$ 2,051	\$ —	\$ —	— %
Total Non-Controlled/Affiliated Investments					\$ 180,380	\$ 178,076	17.21 %	
Controlled Investments(25)								
Funded Debt Investments - United States								
UniTek Global Services, Inc.								
Business Services	First lien (2)(10)	10.20% (L + 8.50%/Q)	1/13/2019	\$ 10,846	\$ 10,846	\$ 10,846		
	First lien (2)(10)	9.84% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	797	797	797		
	Subordinated (2)(10)	15.00% PIK/Q*	7/13/2019	2,003	2,003	2,003		
	Subordinated (3)(10)	15.00% PIK/Q*	7/13/2019	1,198	1,198	1,198		
				14,844	14,844	14,844	1.43 %	
Total Funded Debt Investments - United States					\$ 14,844	\$ 14,844	1.43 %	
Equity - Canada								
NM APP Canada Corp.**								
Net Lease	Membership interest (8)(10)	—	—	—	\$ 7,345	\$ 7,962	0.77 %	
Total Shares - Canada					\$ 7,345	\$ 7,962	0.77 %	
Equity - United States								
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3)(10)	—	—	—	\$ 79,400	\$ 79,400	7.67 %	
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(10)(18)	—	—	21,753,102	19,373	19,288		
	Preferred shares (3)(10)(18)	—	—	6,011,522	5,353	5,330		
	Preferred shares (3)(10)(19)	—	—	10,863,583	10,864	10,864		
	Ordinary shares (2)(10)	—	—	2,096,477	1,925	7,313		
	Ordinary shares (3)(10)	—	—	1,993,749	531	6,954		
					38,046	49,749	4.81 %	
NM CLFX LP								
Net Lease	Membership interest (8)(10)	—	—	—	12,538	12,538	1.21 %	

The accompanying notes are an integral part of these consolidated financial statements.

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
NM KRLN LLC							
Net Lease	Membership interest (8)(10)	—	—	—	\$ 7,510	\$ 8,195	0.79 %
NM DRVT LLC							
Net Lease	Membership interest (8)(10)	—	—	—	5,152	5,385	0.52 %
NM APP US LLC							
Net Lease	Membership interest (8)(10)	—	—	—	5,080	5,138	0.50 %
NM JRA LLC							
Net Lease	Membership interest (8)(10)	—	—	—	2,043	2,191	0.21 %
Total Shares - United States					\$ 149,769	\$ 162,596	15.71 %
Total Shares					\$ 157,114	\$ 170,558	16.48 %
Warrants - United States							
UniTek Global Services, Inc.							
Business Services	Warrants (3)(10)	—	12/31/2018	526,925	\$ —	\$ —	— %
Total Warrants - United States					\$ —	\$ —	— %
Total Funded Investments					\$ 171,958	\$ 185,402	17.91 %
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(10)(11) - Undrawn	—	1/13/2019	2,048	\$ —	\$ —	
	First lien (3)(10)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments - United States					\$ 2,806	\$ —	— %
Total Controlled Investments					\$ 171,958	\$ 185,402	17.91 %
Total Investments					\$ 1,791,227	\$ 1,825,660	176.4 %

- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company, as the Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian. See Note 7. *Borrowings*, for details.
- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in NMF YP Holdings, Inc.
- (6) Investment is held in NMF Ancora Holdings, Inc.
- (7) Investment is held in NMF QID NGL Holdings, Inc.
- (8) Investment is held in New Mountain Net Lease Corporation.
- (9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2017.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2017
(in thousands, except shares)

- (10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note *Fair Value*, for details.
- (11) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net of the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (15) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.
- (16) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (17) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (23) The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (24) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company	Fair Value at December 31, 2016	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 23,247	\$ 10,912	\$ (5,381)	\$ —	\$ (3,920)	\$ 24,858	\$ 2,538	\$ —	\$ —
HI Technology Corp.	—	105,155	—	—	—	105,155	—	11,667	—
NMFC Senior Loan Program I LLC	23,000	—	—	—	—	23,000	—	3,498	1,156
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.	11,193	1,916	—	—	(376)	12,733	270	960	30
Sierra Hamilton Holdings Corporation	—	12,782	—	—	(452)	12,330	—	—	—
Total Non-Controlled/Affiliated Investments	\$ 57,440	\$ 130,765	\$ (5,381)	\$ —	\$ (4,748)	\$ 178,076	\$ 2,808	\$ 16,125	\$ 1,186

(A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind ("PIK") interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

(B) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
December 31, 2017
(in thousands, except shares)

(25) Denotes investments in which the Company is in "Control", as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2016	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	\$ 27,000	\$ —	\$ (27,000)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
NM APP CANADA CORP	—	7,345	—	—	617	7,962	—	911	—
NM APP US LLC	—	5,080	—	—	58	5,138	—	594	—
NM CLFX LP	—	12,538	—	—	—	12,538	—	341	—
NM DRVT LLC	—	5,152	—	—	233	5,385	—	520	—
NM JRA LLC	—	2,043	—	—	148	2,191	—	232	—
NM KRLN LLC	—	7,510	—	—	685	8,195	—	736	—
NMFC Senior Loan Program II LLC	71,460	7,940	—	—	—	79,400	—	12,406	—
UniTek Global Services, Inc.	56,361	14,777	(4,006)	—	(2,539)	64,593	1,709	4,415	819
Total Controlled Investments	\$ 154,821	\$ 62,385	\$ (31,006)	\$ —	\$ (798)	\$ 185,402	\$ 1,709	\$ 20,155	\$ 819

(A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement of an existing portfolio company into this category from a different category.

(B) Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2017, 11.0% of the Company's total investments were non-qualifying assets.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
December 31, 2017

<u>Investment Type</u>	December 31, 2017 Percent of Total Investments at Fair Value
First lien	37.99 %
Second lien	37.41 %
Subordinated	3.85 %
Equity and other	20.75 %
Total investments	100.00 %

<u>Industry Type</u>	December 31, 2017 Percent of Total Investments at Fair Value
Business Services	31.85 %
Software	16.33 %
Healthcare Services	9.60 %
Education	9.48 %
Consumer Services	7.18 %
Distribution & Logistics	6.15 %
Investment Fund	5.61 %
Federal Services	4.30 %
Energy	4.06 %
Net Lease	2.27 %
Healthcare Information Technology	1.86 %
Packaging	0.79 %
Business Products	0.52 %
Total investments	100.00 %

<u>Interest Rate Type</u>	December 31, 2017 Percent of Total Investments at Fair Value
Floating rates	87.48 %
Fixed rates	12.52 %
Total investments	100.00 %

The accompanying notes are an integral part of these consolidated financial statements.

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	\$ 6,012	\$ 5,992	\$ 6,005	0.64 %
Total Funded Debt Investments - Australia				\$ 6,012	\$ 5,992	\$ 6,005	0.64 %
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	\$ 24,630	\$ 24,362	\$ 18,103	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,332	6,030	
				32,834	32,694	24,133	2.57 %
Total Funded Debt Investments - Luxembourg				\$ 32,834	\$ 32,694	\$ 24,133	2.57 %
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (L + 9.13%/Q)	2/17/2023	\$ 10,000	\$ 9,371	\$ 9,799	1.04 %
Total Funded Debt Investments - Netherlands				\$ 10,000	\$ 9,371	\$ 9,799	1.04 %
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (L + 9.50%/Q)	1/31/2023	\$ 32,500	\$ 31,814	\$ 29,514	3.14 %
Total Funded Debt Investments - United Kingdom				\$ 32,500	\$ 31,814	\$ 29,514	3.14 %
Funded Debt Investments - United States							
TIBCO Software Inc.							
Software	First lien (2)	6.50% (L + 5.50%/M)	12/4/2020	\$ 29,475	\$ 28,444	\$ 29,634	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,659	15,038	
				44,475	43,103	44,672	4.76 %
Navex Global, Inc.							
Software	First lien (4)	5.99% (L + 4.75%/Q)	11/19/2021	4,563	4,530	4,540	
	First lien (2)	5.99% (L + 4.75%/Q)	11/19/2021	2,583	2,563	2,570	
	Second lien (4)	10.31% (L + 8.75%/Q)	11/18/2022	18,187	17,984	17,823	
	Second lien (3)	10.31% (L + 8.75%/Q)	11/18/2022	19,813	19,282	19,417	
				45,146	44,359	44,350	4.73 %
Hill International, Inc.							
Business Services	First lien (2)(10)	7.75% (L + 6.75%/Q)	9/28/2020	41,544	41,150	41,543	4.43 %
AssuredPartners, Inc.							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	10/20/2023	20,200	19,480	20,394	
	Second lien (2)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,282	20,192	
				40,200	38,762	40,586	4.32 %
Tenawa Resource Holdings LLC (13)							
Tenawa Resource Management LLC							
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2019	40,000	39,903	39,825	4.24 %
Kronos Incorporated							
Software	Second lien (2)	9.25% (L + 8.25%/Q)	11/1/2024	36,000	35,458	37,159	3.96 %

The accompanying notes are an integral part of these consolidated financial statements.

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
PetVet Care Centers LLC							
Consumer Services	Second lien (3)(10)	10.25% (L + 9.25%/Q)	6/17/2021	\$ 24,000	\$ 23,820	\$ 24,240	
	Second lien (3)(10)	10.50% (L + 9.50%/Q)	6/17/2021	6,500	6,444	6,565	
	Second lien (3)(10)	9.50% (L + 8.50%/Q)	6/17/2021	6,000	5,910	5,910	
				36,500	36,174	36,715	3.91 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	35,227	34,895	34,963	3.73 %
Weston Solutions, Inc.							
Business Services	First lien (2)(10)	10.50% (L + 9.50%/M)	12/31/2020	34,821	34,821	34,821	3.71 %
Redbox Automated Retail, LLC							
Consumer Services	First lien (2)	8.50% (L + 7.50%/Q)	9/27/2021	33,469	32,987	32,601	3.47 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)(10)	8.00% (L + 7.00%/Q)	9/24/2021	29,625	29,320	29,625	
	First lien (3)(10)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	2,250	2,222	2,250	
				31,875	31,542	31,875	3.40 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)(10)	7.25% (L + 6.25%/Q)	4/20/2021	19,306	19,159	19,306	
	First lien (2)(10)	7.25% (L + 6.25%/Q)	4/20/2021	7,793	7,652	7,793	
	First lien (4)(10)	7.25% (L + 6.25%/Q)	4/20/2021	2,677	2,655	2,677	
	First lien (4)(10) (11) - Drawn	7.25% (L + 6.25%/Q)	4/20/2021	373	365	373	
				30,149	29,831	30,149	3.21 %
Integro Parent Inc.							
Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	19,806	19,463	19,607	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,910	9,750	
				29,806	29,373	29,357	3.13 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	28,700	28,188	28,700	3.06 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (L + 6.50%/M)	12/19/2020	27,409	27,252	27,478	2.93 %
Evo Payments International, LLC							
Business Services	First lien (2)	6.00% (L + 5.00%/M)	12/22/2023	2,500	2,487	2,515	
	Second lien (2)	10.00% (L + 9.00%/M)	12/23/2024	25,000	24,813	24,813	
				27,500	27,300	27,328	2.91 %
Severin Acquisition, LLC							
Software	Second lien (4)(10)	9.75% (L + 8.75%/Q)	7/29/2022	15,000	14,873	15,000	
	Second lien (4)(10)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,118	4,154	
	Second lien (4)(10)	10.25% (L + 9.25%/Q)	7/29/2022	3,273	3,243	3,305	
	Second lien (3)(10)	10.00% (L + 9.00%/Q)	7/29/2022	2,361	2,338	2,384	
	Second lien (3)(10)	10.25% (L + 9.25%/Q)	7/29/2022	1,825	1,807	1,843	
	Second lien (4)(10)	10.25% (L + 9.25%/Q)	7/29/2022	300	297	303	
				26,913	26,676	26,989	2.88 %
Marketo, Inc.							
Software	First lien (3)(10)	10.50% (L + 9.50%/Q)	8/16/2021	26,820	26,442	26,418	2.81 %
Ansira Holdings, Inc.							
Business Services	First lien (2)	7.50% (L + 6.50%/Q)	12/20/2022	26,182	26,051	26,051	2.78 %

The accompanying notes are an integral part of these consolidated financial statements.

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	\$ 15,500	\$ 15,506	\$ 15,170	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,107	9,788	
				<u>25,500</u>	<u>25,613</u>	<u>24,958</u>	2.66 %
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	24,750	24,134	24,719	2.63 %
nThrive, Inc. (fka Precyse Acquisition Corp.)							
Healthcare Services	Second lien (2)(10)	10.75% (L + 9.75%/M)	4/20/2023	25,000	24,593	24,711	2.63 %
AAC Holding Corp.							
Education	First lien (2)(10)	8.25% (L + 7.25%/M)	9/30/2020	23,918	23,637	23,918	2.55 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	23,927	23,656	23,785	2.53 %
EN Engineering, LLC							
Business Services	First lien (2)(10)	7.00% (L + 6.00%/Q)	6/30/2021	21,107	20,940	21,107	
	First lien (2)(10)	7.78% (Base + 5.55%/Q)	6/30/2021	2,189	2,170	2,189	
				<u>23,296</u>	<u>23,110</u>	<u>23,296</u>	2.48 %
TWDiamondback Holdings Corp. (15)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)(10)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,895	
	First lien (3)(10)	9.75% (L + 8.75%/Q)	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	9.75% (L + 8.75%/Q)	11/19/2019	605	605	605	
				<u>22,658</u>	<u>22,658</u>	<u>22,658</u>	2.41 %
Vision Solutions, Inc.							
Software	First lien (2)	7.50% (Base + 6.50%/Q)	6/16/2022	22,359	22,153	22,317	2.38 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/Q)	11/13/2017	22,411	22,312	22,299	2.38 %
TW-NHME Holdings Corp. (20)							
National HME, Inc.							
Healthcare Services	Second lien (4)(10)	10.25% (L + 9.25%/Q)	7/14/2022	21,500	21,268	21,500	
	Second lien (3)(10)	10.25% (L + 9.25%/Q)	7/14/2022	500	494	500	
				<u>22,000</u>	<u>21,762</u>	<u>22,000</u>	2.34 %
IT'SUGAR LLC							
Retail	First lien (4)(10)	10.50% (L + 9.50%/Q)	10/23/2019	20,790	20,189	20,467	2.18 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,483	18,643	1.99 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)(10)	6.25% (L + 5.25%/Q)	7/2/2021	17,632	17,493	17,632	
	First lien (3)(10)(11) - Drawn	8.00% (P + 4.25%/Q)	7/2/2021	752	744	752	
				<u>18,384</u>	<u>18,237</u>	<u>18,384</u>	1.96 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)(10)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,379	18,046	1.92 %
Project Alpha Intermediate Holding, Inc.							
Software	First lien (2)(10)	9.25% (L + 8.25%/M)	8/22/2022	17,955	17,784	17,775	1.89 %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)(10)	8.25% (L + 7.25%/Q)	8/4/2022	17,775	17,626	17,775	1.89 %

The accompanying notes are an integral part of these consolidated financial statements.

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)(10)	12.25%/S (8)	12/15/2018	\$ 25,000	\$ 25,000	\$ 16,012	
	First lien (3)(10)	12.25%/S (8)	12/15/2018	2,660	2,231	1,704	
				<u>27,660</u>	<u>27,231</u>	<u>17,716</u>	1.89 %
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	1,891	1,880	1,865	
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	14,000	13,448	13,650	
				<u>15,891</u>	<u>15,328</u>	<u>15,515</u>	1.65 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	12.25% (L + 11.00%/M)	6/4/2018	15,267	15,197	15,191	1.62 %
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien (2)	10.50% (L + 9.50%/Q)	10/19/2023	15,000	14,648	14,944	1.59 %
Cvent, Inc.							
Software	First lien (3)	6.00% (L + 5.00%/Q)	11/29/2023	5,000	4,963	5,064	
	Second lien (3)(10)	11.00% (L + 10.00%/Q)	5/29/2024	10,000	9,851	9,850	
				<u>15,000</u>	<u>14,814</u>	<u>14,914</u>	1.59 %
Amerijet Holdings, Inc.							
Distribution & Logistics	First lien (4)(10)	9.00% (L + 8.00%/M)	7/15/2021	12,536	12,449	12,442	
	First lien (4)(10)	9.00% (L + 8.00%/M)	7/15/2021	2,089	2,075	2,074	
				<u>14,625</u>	<u>14,524</u>	<u>14,516</u>	1.55 %
SW Holdings, LLC							
Business Services	Second lien (4)(10)	9.75% (L + 8.75%/Q)	12/30/2021	14,265	14,147	14,265	1.52 %
Poseidon Intermediate, LLC							
Software	Second lien (2)(10)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,829	13,000	1.39 %
Zywave, Inc.							
Software	Second lien (4)	10.00% (L + 9.00%/Q)	11/17/2023	11,000	10,918	10,918	1.16 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	4/14/2022	12,500	12,316	10,719	1.14 %
QC McKissock Investment, LLC (14)							
McKissock, LLC							
Education	First lien (2)(10)	7.50% (L + 6.50%/Q)	8/5/2019	6,463	6,421	6,463	
	First lien (2)(10)	7.50% (L + 6.50%/Q)	8/5/2019	3,081	3,064	3,081	
	First lien (2)(10)	7.50% (L + 6.50%/Q)	8/5/2019	994	988	994	
				<u>10,538</u>	<u>10,473</u>	<u>10,538</u>	1.12 %
Quest Software US Holdings Inc.							
Software	First lien (2)	7.00% (L + 6.00%/Q)	10/31/2022	10,000	9,854	10,152	1.08 %
Masergy Holdings, Inc.							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	12/16/2024	10,000	9,938	10,000	1.07 %
PowerPlan Holdings, Inc.							
Software	Second lien (2)(10)	10.00% (L + 9.00%/M)	2/23/2023	10,000	9,916	10,000	1.07 %
FR Arsenal Holdings II Corp.							
Business Services	First lien (2)(10)	8.25% (L + 7.25%/Q)	9/8/2022	9,975	9,879	9,875	1.05 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	9,700	9,523	9,353	1.00 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,897	8,640	0.92 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ministry Brands, LLC							
Software	First lien (3)(11) - Drawn	6.00% (L + 5.00%/Q)	12/2/2022	\$ 350	\$ 348	\$ 348	
	Second lien (3)	10.25% (L + 9.25%/Q)	6/2/2023	7,840	7,782	7,781	
				<u>8,190</u>	<u>8,130</u>	<u>8,129</u>	0.87 %
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated (3)	10.00% (L + 9.00%/M)	8/31/2021	7,000	6,934	7,210	0.77 %
J.D. Power and Associates							
Business Services	Second lien (3)	9.50% (L + 8.50%/Q)	9/7/2024	7,000	6,898	7,035	0.75 %
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (L + 9.00%/M)	5/8/2019	6,957	6,952	6,919	0.74 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/Q)	4/21/2017	6,396	6,389	6,300	0.67 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,768	5,650	0.60 %
VF Holding Corp.							
Software	Second lien (3)	10.00% (L + 9.00%/Q)	6/28/2024	5,000	4,952	4,950	0.53 %
ADG, LLC							
Healthcare Services	Second lien (3)(10)	10.00% (L + 9.00%/Q)	3/28/2024	5,000	4,926	4,925	0.53 %
Vencore, Inc. (fka The SI Organization Inc.)							
Federal Services	Second lien (3)	9.75% (L + 8.75%/Q)	5/23/2020	4,000	3,928	4,039	0.43 %
Transtar Holding Company							
Distribution & Logistics	Second lien (3)	13.50% (P + 9.75%/Q) (8)	10/9/2019	36,112	3,155	2,167	
	Second lien (2)	13.50% (P + 9.75%/Q) (8)	10/9/2019	28,300	28,011	1,698	
				<u>64,412</u>	<u>31,166</u>	<u>3,865</u>	0.41 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,520	0.27 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,939	2,135	0.23 %
Education Management Corporation (19)							
Education Management II LLC							
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	239	61	
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	136	35	
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	467	416	22	
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	263	235	12	
				<u>1,121</u>	<u>1,026</u>	<u>130</u>	0.01 %
Total Funded Debt Investments - United States				\$ 1,339,099	\$ 1,290,033	\$ 1,261,394	134.41 %
Total Funded Debt Investments				\$ 1,420,445	\$ 1,369,904	\$ 1,330,845	141.80 %
Equity - United States							
Tenawa Resource Holdings LLC (13)							
QID NGL LLC							
Energy	Ordinary shares (7)(10)	—	—	5,290,997	\$ 5,291	\$ 6,434	0.69 %
TWDiamondback Holdings Corp. (15)							
Distribution & Logistics	Preferred shares (4)(10)	—	—	200	2,000	2,664	0.28 %

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Consolidated Schedule of Investments (Continued)
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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TW-NHME Holdings Corp. (20)							
Healthcare Services	Preferred shares (4)(10)	—	—	100	\$ 1,000	\$ 1,497	
	Preferred shares (4)(10)	—	—	16	158	236	
	Preferred shares (4)(10)	—	—	6	68	91	
					1,226	1,824	0.19 %
Ancora Acquisition LLC							
Education	Preferred shares (6)(10)	—	—	372	83	393	0.04 %
Education Management Corporation (19)							
Education	Preferred shares (2)	—	—	3,331	200	1	
	Preferred shares (3)	—	—	1,879	113	1	
	Ordinary shares (2)	—	—	2,994,065	100	18	
	Ordinary shares (3)	—	—	1,688,976	56	10	
					469	30	— %
Total Shares - United States					\$ 9,069	\$ 11,345	1.20 %
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors LLC							
Media	Warrants (5)(10)	—	5/8/2022	5	\$ —	\$ 2,966	0.32 %
ITSUGAR LLC							
Retail	Warrants (3)(10)	—	10/23/2025	94,672	817	549	0.06 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)(10)	—	5/5/2026	622	37	949	0.10 %
Ancora Acquisition LLC							
Education	Warrants (6)(10)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					\$ 854	\$ 4,464	0.48 %
Total Funded Investments					\$ 1,379,827	\$ 1,346,654	143.48 %
Unfunded Debt Investments - United States							
Mister Car Wash Holdings, Inc.							
Consumer Services	First lien (3)(11) - Undrawn	—	12/14/2017	\$ 1,667	\$ (13)	\$ 8	— %
DCA Investment Holding, LLC							
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2021	1,348	(13)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2021	1,000	(10)	—	— %
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(10)(11) - Undrawn	—	9/24/2021	1,500	(19)	—	— %
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(10)(11) - Undrawn	—	4/20/2021	2,700	(27)	—	
	First lien (4)(10)(11) - Undrawn	—	3/30/2018	127	(3)	—	
	First lien (2)(10)(11) - Undrawn	—	6/22/2018	1,644	(33)	—	
				4,471	(63)	—	— %
Weston Solutions, Inc.							
Business Services	First lien (3)(10)(11) - Undrawn	—	12/31/2020	10,000	—	—	— %

The accompanying notes are an integral part of these consolidated financial statements.

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Zywave, Inc.							
Software	First lien (3)(11) - Undrawn	—	11/17/2022	\$ 2,000	\$ (15)	\$ (15)	— %
Ansira Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/20/2018	3,818	(19)	(19)	— %
Marketo, Inc.							
Software	First lien (3)(10)(11) - Undrawn	—	8/16/2021	1,788	(27)	(27)	— %
Ministry Brands, LLC							
Software	First lien (3)(11) - Undrawn	—	12/2/2022	650	(3)	(3)	
	First lien (3)(11) - Undrawn	—	12/2/2017	5,169	(26)	(26)	
	Second lien (3)(11) - Undrawn	—	12/2/2017	2,160	(16)	(16)	
				7,979	(45)	(45)	(0.01) %
Total Unfunded Debt Investments - United States				\$ 35,571	(224)	\$ (98)	(0.01) %
Total Non-Controlled/Non-Affiliated Investments					\$ 1,379,603	\$ 1,346,556	143.47 %
Non-Controlled/Affiliated Investments(22)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Education	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2020	4,124	4,118	4,124	
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2020	15,163	15,163	12,814	
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2020	3,730	3,730	3,152	
				23,017	23,011	20,090	2.14 %
Permian Holdco 1, Inc. (21)							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(10)	14.00% PIK/Q*	10/15/2021	1,749	1,749	1,749	0.19 %
Total Funded Debt Investments - United States				\$ 24,766	\$ 24,760	\$ 21,839	2.33 %
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)(10)	—	—	—	\$ 23,000	\$ 23,000	2.45 %
Permian Holdco 1, Inc. (21)							
Energy	Preferred shares (3)(10)(17)	—	—	1,394,237	5,866	7,668	
	Ordinary shares (3)(10)	—	—	1,366,452	1,350	1,776	
					7,216	9,444	1.00 %
Edmentum Ultimate Holdings, LLC (16)							
Education	Ordinary shares (3)(10)	—	—	123,968	11	1,693	
	Ordinary shares (2)(10)	—	—	107,143	9	1,464	
					20	3,157	0.34 %
Total Shares - United States					\$ 30,236	\$ 35,601	3.79 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(10)(11) - Undrawn	—	6/9/2020	\$ 4,881	\$ —	\$ —	— %
Permian Holdco 1, Inc. (21)							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(10)(11) - Undrawn	—	10/15/2021	1,025	—	—	— %
Total Unfunded Debt Investments - United States				\$ 5,906	\$ —	\$ —	— %
Total Non-Controlled/Affiliated Investments					\$ 54,996	\$ 57,440	6.12 %
Controlled Investments(23)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)(10)	8.50% (L + 7.50%/Q)	1/13/2019	\$ 10,846	\$ 10,846	\$ 11,063	
	First lien (2)(10)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	4,784	4,784	4,879	
	Subordinated (2)(10)	15.00% PIK/Q*	7/13/2019	1,726	1,726	1,760	
	Subordinated (3)(10)	15.00% PIK/Q*	7/13/2019	1,032	1,032	1,054	
				18,388	18,388	18,756	2.00 %
Total Funded Debt Investments - United States				\$ 18,388	\$ 18,388	\$ 18,756	2.00 %
Equity - United States							
NMFC Senior Loan Program II LLC**							
Investment Fund	Membership interest (3)(10)	—	—	—	\$ 71,460	\$ 71,460	7.61 %
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(10)(18)	—	—	19,048,426	16,668	17,207	
	Preferred shares (3)(10)(18)	—	—	5,264,079	4,606	4,755	
	Ordinary shares (2)(10)	—	—	2,096,477	1,925	12,256	
	Ordinary shares (3)(10)	—	—	579,366	532	3,387	
					23,731	37,605	4.01 %
New Mountain Net Lease Corporation							
Net Lease	Ordinary shares (3)(10)	—	—	270,000	27,000	27,000	2.88 %
Total Shares - United States					\$ 122,191	\$ 136,065	14.50 %
Total Funded Investments					\$ 140,579	\$ 154,821	16.50 %
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(10)(11) - Undrawn	—	1/13/2019	\$ 2,048	\$ —	\$ —	
	First lien (3)(10)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments - United States				\$ 2,806	\$ —	\$ —	— %
Total Controlled Investments					\$ 140,579	\$ 154,821	16.50 %
Total Investments					\$ 1,575,178	\$ 1,558,817	166.09 %

The accompanying notes are an integral part of these consolidated financial statements.

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- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
 - (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7. *Borrowings*, for details.
 - (3) Investment is pledged as collateral for the NMF Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
 - (4) Investment is held in New Mountain Finance SBIC, L.P.
 - (5) Investment is held in NMF YP Holdings, Inc.
 - (6) Investment is held in NMF Ancora Holdings, Inc.
 - (7) Investment is held in NMF QID NGL Holdings, Inc.
 - (8) Investment or a portion of the investment is on non-accrual status. See Note 3*Investments*, for details.
 - (9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2016.
 - (10) The fair value of the the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4*Fair Value*, for details.
 - (11) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.
 - (12) The Company holds investments in three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.
 - (13) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
 - (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
 - (15) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.
 - (16) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
 - (17) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
 - (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
 - (19) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
 - (20) The Company holds an equity investment in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
 - (21) The Company holds preferred and common equity in Permian Holdco 1, Inc., as well as subordinated notes in Permian Holdco 2, Inc., a wholly-owned subsidiary of Permian Holdco 1, Inc.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2016
(in thousands, except shares)

(22) Denotes investments in which the Company an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2015 and December 31, 2016, along with transactions during the year ended December 31, 2016 in which the issuer was a non-controlled/affiliated investment, is as follows:

Portfolio Company	Fair Value at December 31, 2015	Gross Additions(A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2016	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 22,782	\$ 6,147	\$ (4,002)	\$ —	\$ (1,680)	\$ 23,247	\$ 2,254	\$ —	\$ —
NMFC Senior Loan Program I LLC	21,914	—	—	—	1,086	23,000	—	3,728	1,163
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.	—	8,965	—	—	2,228	11,193	41	156	5
Tenawa Resource Holdings LLC	42,591	16	(42,288)	—	(319)	—	2,243	—	25
Total Non-Controlled/Affiliated Investments	\$ 87,287	\$ 15,128	\$ (46,290)	\$ —	\$ 1,315	\$ 57,440	\$ 4,538	\$ 3,884	\$ 1,193

(A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind ("PIK") interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

(B) Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

(23) Denotes investments in which the Company is in "Control", as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of December 31, 2015 and December 31, 2016, along with transactions during the year ended December 31, 2016 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2015	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2016	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	\$ —	\$ 27,000	\$ —	\$ —	\$ —	\$ 27,000	\$ —	\$ 540	\$ —
NMFC Senior Loan Program II LLC	—	71,460	—	—	—	71,460	—	3,533	—
UniTek Global Services, Inc.	47,422	3,464	(2,599)	—	8,074	56,361	1,904	3,023	558
Total Controlled Investments	\$ 47,422	\$ 101,924	\$ (2,599)	\$ —	\$ 8,074	\$ 154,821	\$ 1,904	\$ 7,096	\$ 558

(A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

(B) Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2016, 9.9% of the the Company's total investments were non-qualifying assets.

The accompanying notes are an integral part of these consolidated financial statements.

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
December 31, 2016

	December 31, 2016
Investment Type	Percent of Total
	Investments at Fair Value
First lien	44.94%
Second lien	38.76%
Subordinated	4.27%
Equity and other	12.03%
Total investments	<u>100.00%</u>

	December 31, 2016
Industry Type	Percent of Total
	Investments at Fair Value
Business Services	29.64%
Software	27.00%
Consumer Services	6.82%
Investment Fund	6.06%
Education	6.04%
Energy	4.82%
Healthcare Services	4.61%
Distribution & Logistics	3.96%
Federal Services	3.86%
Net Lease	1.73%
Business Products	1.60%
Media	1.55%
Retail	1.35%
Healthcare Information Technology	0.96%
Total investments	<u>100.00%</u>

	December 31, 2016
Interest Rate Type	Percent of Total
	Investments at Fair Value
Floating rates	93.16%
Fixed rates	6.84%
Total investments	<u>100.00%</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation**

December 31, 2017
(in thousands, except share data)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation ("NMFC" or the "Company") is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since NMFC's IPO, and through December 31, 2017, NMFC raised approximately \$614,581 in net proceeds from additional offerings of its common stock.

New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") is a wholly-owned subsidiary of New Mountain Capital, L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages the Company's day-to-day operations and provides it with investment advisory and management services. New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct the Company's day-to-day operations.

The Company's wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), the Company's wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). The Company consolidates its tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, the Company has a wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing") serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC L.P. ("SBIC I") and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP"), are organized in Delaware as a limited partnership and limited liability company, respectively. During the year ended December 31, 2017, New Mountain Finance SBIC II, L.P. ("SBIC II") and its general partner, New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC I and SBIC II received licenses from the United States ("U.S.") Small Business Administration (the "SBA") to operate as small business investment companies ("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act"). The Company's wholly-owned subsidiary, New Mountain Net Lease Corporation ("NMNLC"), a Maryland corporation, was formed to acquire commercial real properties that are subject to "triple net" leases and has qualified, and intends to continue to qualify, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the "last out" tranche. In some cases, the Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC I's and SBIC II's investment objective is to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. The Company's portfolio may be concentrated in a limited number of industries. As of December 31, 2017, the Company's top five industry concentrations were business services, software, healthcare services, education and consumer services.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
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Historical Structure

On May 19, 2011, NMFC priced its IPO of 7,272,727 shares of common stock at a public offering price of \$13.75 per share. Concurrently with the closing of the IPO and at the public offering price of \$13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the “Concurrent Private Placement”). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with NMFC’s IPO and through a series of transactions, NMF Holdings acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. (“Guardian AIV”) by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately \$300.0 million of the \$5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising \$20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the “Predecessor Entities”.

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for U.S. federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings’ existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes.

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation (“AIV Holdings”) was a Delaware corporation that was originally incorporated on March 11, 2011. Guardian AIV, a Delaware limited partnership, was AIV Holdings’ sole stockholder. AIV Holdings was a closed-end, non-diversified management investment company that was regulated as a BDC under the 1940 Act. As such, AIV Holdings was obligated to comply with certain regulatory requirements. AIV Holdings was treated, and complied with the requirements to qualify annually, as a RIC under the Code. AIV Holdings was dissolved on April 25, 2014.

Prior to May 8, 2014, NMFC and AIV Holdings were holding companies with no direct operations of their own, and their sole asset was their ownership in NMF Holdings. In connection with the IPO, NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated (the “Operating Agreement”), of NMF Holdings, pursuant to which NMFC and AIV Holdings were admitted as members of NMF Holdings. NMFC acquired from NMF Holdings, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units (“units”) of NMF Holdings (the number of units were equal to the number of shares of NMFC’s common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of NMF Holdings equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of NMF Holdings prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in NMF Holdings. Guardian AIV contributed its units in NMF Holdings to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings had the right to exchange all or any portion of its units in NMF Holdings for shares of NMFC’s common stock on a one-for-one basis at any time.

The original structure was designed to generally prevent NMFC from being allocated taxable income with respect to unrecognized gains that existed at the time of the IPO in the Predecessor Entities’ assets, and rather such amounts would be allocated generally to AIV Holdings. The result was that any distributions made to NMFC’s stockholders that were attributable to such gains generally were not treated as taxable dividends but rather as return of capital.

NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC’s common stock sold in the additional offerings. With the completion of the final secondary offering on February 3, 2014, NMFC owned 100.0% of the units of NMF Holdings, which became a wholly-owned subsidiary of NMFC.

Restructuring

As a BDC, AIV Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of AIV Holdings’ business model, AIV Holdings’ board of directors determined that continuation as

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
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a BDC was not in the best interest of AIV Holdings and Guardian AIV. Specifically, given that AIV Holdings was formed for the sole purpose of holding units of NMF Holdings and AIV Holdings had disposed of all of the units of NMF Holdings that it was holding as of February 3, 2014, the board of directors of AIV Holdings approved and declared advisable at an in-person meeting held on March 25, 2014 the withdrawal of AIV Holdings' election to be regulated as a BDC under the 1940 Act. In addition, the board of directors of AIV Holdings approved and declared advisable for AIV Holdings to terminate its registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to dissolve AIV Holdings under the laws of the State of Delaware.

Upon receipt of the necessary stockholder consent to authorize the board of directors of AIV Holdings to withdraw AIV Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the U.S. Securities and Exchange Commission ("SEC") of AIV Holdings' notification of withdrawal on Form N-54C on April 15, 2014. The board of directors of AIV Holdings believed that AIV Holdings met the requirements for filing the notification to withdraw its election to be regulated as a BDC, upon the receipt of the necessary stockholder consent. After the notification of withdrawal of AIV Holdings' BDC election was filed with the SEC, AIV Holdings was no longer subject to the regulatory provisions of the 1940 Act applicable to BDCs generally, including regulations related to insurance, custody, composition of its board of directors, affiliated transactions and any compensation arrangements.

In addition, on April 15, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings' registration under Section 12(g) of the Exchange Act. After these SEC filings and any other federal or state regulatory or tax filings were made, AIV Holdings proceeded to dissolve under Delaware law by filing a certificate of dissolution in Delaware on April 25, 2014.

Until May 8, 2014, as a BDC, NMF Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of NMF Holdings' current business model, NMF Holdings' board of directors determined at an in-person meeting held on March 25, 2014 that continuation as a BDC was not in the best interests of NMF Holdings.

At the joint annual meeting of the stockholders of NMFC and the sole unit holder of NMF Holdings held on May 6, 2014, the stockholders of NMFC and the sole unit holder of NMF Holdings approved a proposal which authorized the board of directors of NMF Holdings to withdraw NMF Holdings' election to be regulated as a BDC. Additionally, the stockholders of NMFC approved a new investment advisory and management agreement between NMFC and the Investment Adviser. Upon receipt of the necessary stockholder/unit holder approval to authorize the board of directors of NMF Holdings to withdraw NMF Holdings' election to be regulated as a BDC, the withdrawal was filed and became effective upon receipt by the SEC of NMF Holdings' notification of withdrawal on Form N-54C on May 8, 2014.

Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, and NMFC assumed all other operating activities previously undertaken by NMF Holdings under the management of the Investment Adviser (collectively, the "Restructuring"). After the Restructuring, all wholly-owned direct and indirect subsidiaries of NMFC are consolidated with NMFC for both 1940 Act and financial statement reporting purposes, subject to any financial statement adjustments required in accordance with accounting principles generally accepted in the United States of America ("GAAP"). NMFC continues to remain a BDC under the 1940 Act.

Also, on May 8, 2014, NMF Holdings filed Form 15 with the SEC to terminate NMF Holdings' registration under Section 12(g) of the Exchange Act. As a special purpose entity, NMF Holdings is bankruptcy-remote and non-recourse to NMFC. In addition, the assets held at NMF Holdings will continue to be used to secure NMF Holdings' credit facility.

Prior to December 18, 2014, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF") was a Delaware limited liability company. NMF SLF was a wholly-owned subsidiary of NMF Holdings and thus a wholly-owned indirect subsidiary of the Company. NMF SLF was bankruptcy-remote and non-recourse to NMFC. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
(in thousands, except share data)

Note 2. Summary of Significant Accounting Policies

Basis of accounting—The Company's consolidated financial statements have been prepared in conformity with GAAP. The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*, ("ASC 946"). NMFC consolidates its wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP. Previously, the Company consolidated its wholly-owned indirect subsidiary NMF SLF until it merged with and into NMF Holdings on December 18, 2014. See Note 5. *Agreements*, for details. Prior to the Restructuring, the Predecessor Operating Company consolidated its wholly-owned subsidiary, NMF SLF. NMFC and AIV Holdings did not consolidate the Predecessor Operating Company. Prior to the Restructuring, NMFC and AIV Holdings applied investment company master-feeder financial statement presentation, as described in ASC 946 to their interest in the Predecessor Operating Company. NMFC and AIV Holdings observed that it was also industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund was owned by more than one feeder fund and that such presentation provided stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the master fund.

The Company's consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Company's portfolio investments are not consolidated in the financial statements.

The Company's consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Article 6 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements have been included.

Investments—The Company applies fair value accounting in accordance with GAAP. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reflected on the Company's Consolidated Statements of Assets and Liabilities at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Company's Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Company's Consolidated Statements of Operations as "Net realized gains (losses) on investments".

The Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, the Company's board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available and any other situation where its portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. The Company's quarterly valuation procedures are set forth in more detail below:

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
 - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and, if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
 - b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following procedures:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
(in thousands, except share data)

- ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
 - b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management;
 - c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Company's board of directors; and
 - d. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of a commitment not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. 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 the Company's investments may fluctuate from period to period and the fluctuations could be material.

Prior to the Restructuring, NMFC was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. Prior to the completion of the underwritten secondary public offering on February 3, 2014, AIV Holdings was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. NMFC's and AIV Holdings' investments in the Predecessor Operating Company were carried at fair value and represented the respective pro-rata interest in the net assets of the Predecessor Operating Company as of the applicable reporting date. NMFC and AIV Holdings valued their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

See Note 3. *Investments*, for further discussion relating to investments.

New Mountain Net Lease Corporation

NMNLN was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLN's investments are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2017.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
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Below is certain summarized property information for NMNLC as of December 31, 2017:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of December 31, 2017
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	\$ 7,962
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL	261	5,138
NM CLFX LP	Victor Equipment Company	8/31/2033	Denton, TX	423	12,538
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,385
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,191
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	8,195
					\$ 41,409

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of December 31, 2017 and December 31, 2016, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a carrying value of \$25,212 and \$29,218, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less. The Company did not hold any cash equivalents as of December 31, 2017 and December 31, 2016.

Revenue recognition

Sales and paydowns of investments: Realized gains and losses on investments are determined on the specific identification method.

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management's

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judgment of the ultimate outcome. Non-accrual investments are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, upfront fees, management fees from a non-controlled/affiliated investment and other miscellaneous fees received and are typically non-recurring in nature. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date. Other income may also include fees from bridge loans. The Company may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received by the Company for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment and are non-refundable.

Interest and other financing expenses—Interest and other financing fees are recorded on an accrual basis by the Company. See Note 7. *Borrowings*, for details.

Deferred financing costs—The deferred financing costs of the Company consists of capitalized expenses related to the origination and amending of the Company's borrowings. The Company amortizes these costs into expense over the stated life of the related borrowing. See Note 7. *Borrowings*, for details.

Deferred offering costs—The Company's deferred offering costs consist of fees and expenses incurred in connection with equity offerings and the filing of shelf registration statements. Upon the issuance of shares, offering costs are charged as a direct reduction to net assets. Deferred offering costs are included in other assets on the Company's Consolidated Statements of Assets and Liabilities.

Income taxes—The Company has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under subchapter M of the Code. As a RIC, the Company is not subject to U.S. federal income tax on the portion of taxable income and gains timely distributed to its stockholders.

To continue to qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code. Since U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes.

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

The Company will be subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless the Company distributes, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of its respective net ordinary income earned for the calendar year and (2) 98.2% of its respective capital gain net income for the one-year period ending October 31 in the calendar year.

Certain consolidated subsidiaries of the Company are subject to U.S. federal and state income taxes. These taxable entities are not consolidated for income tax purposes and may generate income tax liabilities or assets from permanent and temporary differences in the recognition of items for financial reporting and income tax purposes.

For the year ended December 31, 2017, the Company recognized a total provision for income taxes of approximately \$416 for the Company's consolidated subsidiaries. For the year ended December 31, 2017, the Company recorded current income tax expense of approximately \$556 and deferred income tax benefit of approximately \$140. For the year ended December 31, 2016, the Company recognized a total income tax benefit of \$490 for the Company's consolidated subsidiaries. For the year ended December 31, 2016, the Company recorded current income tax expense of approximately \$152 and deferred income tax benefit of approximately \$642. For the year ended December 31, 2015, the Company recognized a total provision for income taxes of \$1,343 for the Company's consolidated subsidiaries. For the year ended December 31, 2015, the Company recorded current income tax expense of approximately \$160 and deferred income tax expense of approximately \$1,183.

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As of December 31, 2017 and December 31, 2016, the Company had \$894 and \$1,034, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 ("ASC 740"). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold through December 31, 2017. The 2014 through 2017 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Distributions—Distributions to common stockholders of the Company are recorded on the record date as set by the board of directors. The Company intends to make distributions to its stockholders that will be sufficient to enable the Company to maintain its status as a RIC. The Company intends to distribute approximately all of its net investment income (see Note 5. *Agreements*) on a quarterly basis and substantially all of its taxable income on an annual basis, except that the Company may retain certain net capital gains for reinvestment.

The Company has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash.

The Company applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is equal to or greater than 110.0% of the last determined net asset value of the shares, the Company will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Company's common stock on the New York Stock Exchange ("NYSE") on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and ask prices.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, the Company will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of the Company's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of the Company's stockholders have been tabulated.

Share repurchase program—On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to \$50,000 worth of the Company's common stock. Under the repurchase program, the Company was permitted, but was not obligated to, repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 29, 2017 the Company's board of directors extended the Company's repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2018 or until \$50,000 of its outstanding shares of common stock have been repurchased. During the year ended December 31, 2017 and December 31, 2016, the Company repurchased a total of 0 and 248,499 shares, respectively, of the Company's common stock in the open market for \$0 and \$2,948, respectively, including commissions paid.

Earnings per share—The Company's earnings per share ("EPS") amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. Basic EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of common stock outstanding during the period of computation. Diluted EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of common stock assuming all potential shares had been issued, and its related net impact to net assets accounted for, and the additional shares of common stock were dilutive. Diluted EPS reflects the potential dilution, using the as-if-converted method for convertible debt, which could occur if all potentially dilutive securities were exercised.

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Foreign securities—The accounting records of the Company are maintained in U.S. dollars. Investment securities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the respective dates of the transactions. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with "Net change in unrealized appreciation (depreciation) of investments" and "Net realized gains (losses) on investments" in the Company's Consolidated Statements of Operations.

Investments denominated in foreign currencies may be negatively affected by movements in the rate of exchange between the U.S. dollar and such foreign currencies. This movement is beyond the control of the Company and cannot be predicted.

Use of estimates—The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Company's consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution. During the year ended December 31, 2015, the Company adjusted accounting estimates related to the classification of dividend income for distributions received from three of the Company's equity investments. Based on updated tax projections received during the year ended December 31, 2015, the Company decreased dividend income by \$533, which decreased the equity investments cost basis by \$3 and increased the realized gain by \$530 to agree to the tax treatment on the equity investments.

Note 3. Investments

At December 31, 2017, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	<u>Cost</u>	<u>Fair Value</u>
First lien	\$ 688,696	\$ 693,563
Second lien	674,536	682,950
Subordinated	70,991	70,257
Equity and other	357,004	378,890
Total investments	<u>\$ 1,791,227</u>	<u>\$ 1,825,660</u>

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Investment Cost and Fair Value by Industry

	<u>Cost</u>	<u>Fair Value</u>
Business Services	\$ 566,344	\$ 581,434
Software	291,445	298,172
Healthcare Services	174,046	175,348
Education	176,399	173,072
Consumer Services	129,311	131,116
Distribution & Logistics	107,835	112,241
Investment Fund	102,400	102,400
Federal Services	77,001	78,433
Energy	69,411	74,124
Net Lease	39,668	41,409
Healthcare Information Technology	33,525	34,020
Packaging	14,309	14,391
Business Products	9,533	9,500
Total investments	<u>\$ 1,791,227</u>	<u>\$ 1,825,660</u>

At December 31, 2016, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	<u>Cost</u>	<u>Fair Value</u>
First lien	\$ 706,140	\$ 700,580
Second lien	638,347	604,203
Subordinated	68,341	66,559
Equity and other	162,350	187,475
Total investments	<u>\$ 1,575,178</u>	<u>\$ 1,558,817</u>

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Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	\$ 446,008	\$ 461,997
Software	424,965	420,896
Consumer Services	105,868	106,392
Investment Fund	94,460	94,460
Education	93,651	94,168
Energy	81,390	75,168
Healthcare Services	70,731	71,844
Distribution & Logistics	88,768	61,696
Federal Services	59,881	60,116
Net Lease	27,000	27,000
Business Products	25,613	24,958
Media	21,189	24,162
Retail	21,006	21,016
Healthcare Information Technology	14,648	14,944
Total investments	\$ 1,575,178	\$ 1,558,817

During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, the Company's investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27,231, an aggregate fair value of \$12,725 and total unearned interest income of \$1,388 for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Sierra. Prior to the extinguishment in July 2017, the Company's original investment in Sierra had an aggregate cost of \$27,307, an aggregate fair value of \$12,858 and total unearned interest income of \$1,687. The extinguishment resulted in a realized loss of \$14,449. As a result of the restructuring, the Company received common shares in Sierra Hamilton Holding Corporation. As of December 31, 2017, the Company's investment has an aggregate cost basis of \$12,782 and an aggregate fair value of \$12,330.

During the third quarter of 2016, the Company placed its entire second lien position in Transtar Holding Company ("Transtar") on non-accrual status due to its ongoing restructuring. As of March 31, 2017, the Company's investment in Transtar had an aggregate cost basis of \$31,166, an aggregate fair value of \$3,621 and total unearned interest income of approximately \$1,809 for the three months then ended. In April 2017, Transtar completed a restructuring which resulted in a \$3,606 repayment of the Company's second lien position. The Company recognized a realized loss of \$27,560 during the year ended December 31, 2017 related to Transtar.

During the second quarter of 2016, the Company placed a portion of its first lien position in Permian Tank & Manufacturing, Inc. ("Permian") on non-accrual status due to its ongoing restructuring. As of September 30, 2016, the Company's investment in Permian had an aggregate cost basis of \$24,444, an aggregate fair value of \$7,064 and total unearned interest income of \$1,273 for the nine months then ended. In October 2016, Permian completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Permian. Prior to the extinguishment in October 2016, the Company's original investment in Permian had an aggregate cost of \$25,047, an aggregate fair value of \$7,064 and total unearned interest income of \$1,422 for the year ended December 31, 2016. The extinguishment resulted in a realized loss of \$17,983. Post restructuring, the Company's investments in Permian have been restored to full accrual status. As of December 31, 2017, the Company's investments in Permian have an aggregate cost basis of \$10,882 and an aggregate fair value of \$12,733.

During the third quarter of 2016, the Company received notice that there would be no recovery of the outstanding principal and interest owed on its two super priority first lien positions in ATI Acquisition Company ("ATI"). As of June 30, 2016, the Company's first lien positions in ATI had an aggregate cost of \$1,528 and an aggregate fair value of \$0 and no

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unearned interest income for the period then ended. The Company wrote off its first lien positions in ATI and recognized an aggregate realized loss of \$1,528 during the year ended December 31, 2016. As of December 31, 2017, the Company's preferred shares and warrants in Ancora Acquisition LLC, which were received as a result of the Company's first lien positions in ATI, had an aggregate cost basis of \$83 and an aggregate fair value of \$393.

As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,716 and \$0, respectively. As of December 31, 2017, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2017.

As of December 31, 2016, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$27,915 and \$0, respectively. As of December 31, 2016, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$16,368. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2016.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by the Company. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended for up to one year pursuant to certain terms of the SLP I Agreement. SLP I had a three year re-investment period. In June 2017, the re-investment period was extended for one additional year. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348,652, debt outstanding of \$223,667 and capital that had been called and funded of \$93,000. As of December 31, 2016, SLP I had total investments with an aggregate fair value of approximately \$348,672, debt outstanding of \$256,517 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedules of Investments as of December 31, 2017 and December 31, 2016.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, the Company earned approximately \$1,156, \$1,163 and \$1,215, respectively, in management fees related to SLP I which is included in other income. As of December 31, 2017 and December 31, 2016, approximately \$291 and \$286, respectively, of management fees related to SLP I was included in receivable from affiliates. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, the Company earned approximately \$3,498, \$3,728 and \$3,619, respectively, of dividend income related to SLP I, which is included in dividend income. As of December 31, 2017 and December 31, 2016, approximately \$836 and \$861, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under the respective rules. As of December 31, 2017, the following portfolio companies were considered significant unconsolidated subsidiaries under Regulation S-X Rule 4-08(g). Based on the requirements under Regulation S-X Rule 4-08(g), the summarized consolidated financial information of these portfolio companies is shown below:

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NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between the Company and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from the Company and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions were completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of December 31, 2017, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600 of equity to SLP II, respectively. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedules of Investments as of December 31, 2017 and December 31, 2016.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. As of December 31, 2017 and December 31, 2016, SLP II had total investments with an aggregate fair value of approximately \$382,534 and \$361,719, respectively, and debt outstanding under its credit facility of \$266,270 and \$249,960, respectively.

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The following table is a listing of the individual loans in SLP II's portfolio as of December 31, 2017:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicure, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OECConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$ 381,237	\$ 379,098	\$ 382,529

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Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Unfunded Investments - First lien						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$ 2,728	\$ (14)	\$ 7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9)	(3)
Total Unfunded Investments				\$ 4,863	\$ (23)	\$ 5
Total Investments				\$ 386,100	\$ 379,075	\$ 382,534

- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.
- (2) Represents the fair value in accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”). The Company's board of directors does not determine the fair value of the investments held by SLP II.

**Notes to the Consolidated Financial Statements of
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The following table is a listing of the individual loans in SLP II's portfolio as of December 31, 2016:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien:						
ADG, LLC	Healthcare Services	5.75% (L + 4.75%)	9/28/2023	\$ 17,207	\$ 17,040	\$ 17,121
AssuredPartners, Inc.	Business Services	5.25% (L + 4.25%)	10/21/2022	11,862	11,847	12,058
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.00% (L + 5.00%)	8/21/2023	14,962	14,819	14,963
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	4,987	4,963	5,054
Cvent, Inc.	Software	6.00% (L + 5.00%)	11/29/2023	10,000	9,901	10,125
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,900	14,814	14,881
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.25% (L + 5.25%)	2/18/2022	10,507	10,350	10,402
Emerald 2 Limited	Business Services	5.00% (L + 4.00%)	5/14/2021	1,277	1,206	1,174
Engility Corporation (fka TASC, Inc.)	Federal Services	5.81% (Base + 4.72%)	8/14/2023	13,860	13,793	14,080
Evo Payments International, LLC	Business Services	6.00% (L + 5.00%)	12/22/2023	17,500	17,413	17,602
Explorer Holdings, Inc.	Healthcare Services	6.00% (L + 5.00%)	5/2/2023	4,975	4,929	5,028
Globallogic Holdings Inc.	Business Services	5.50% (L + 4.50%)	6/20/2022	10,000	9,900	10,013
GOBP Holdings Inc.	Retail	5.00% (L + 4.00%)	10/21/2021	14,955	14,816	14,985
Hyperion Insurance Group Limited	Business Services	5.50% (L + 4.50%)	4/29/2022	14,401	14,179	14,476
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	9,975	9,927	10,075
Kronos Incorporated	Software	5.00% (L + 4.00%)	11/1/2023	10,000	9,951	10,105
Masergy Holdings, Inc.	Business Services	5.50% (L + 4.50%)	12/15/2023	7,500	7,463	7,563
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,950	9,905	9,971
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	7,846	7,807	7,807
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	8,312	8,250	8,354
Navex Global, Inc.	Software	5.99% (L + 4.75%)	11/19/2021	14,933	14,718	14,858
nThrive, Inc. (fka Precyse Acquisition Corp.)	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,950	9,813	10,083
Poseidon Intermediate, LLC	Software	5.25% (L + 4.25%)	8/15/2022	14,962	14,962	15,055
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	10,000	9,853	10,153
Rocket Software, Inc.	Software	5.25% (L + 4.25%)	10/14/2023	14,962	14,817	15,129
SolarWinds Holdings, Inc.	Software	5.50% (L + 4.50%)	2/3/2023	14,688	14,697	14,852
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	13,548	13,444	13,599
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.75% (L + 4.75%)	11/23/2019	10,801	10,780	10,942
Vision Solutions, Inc.	Software	7.50% (Base + 6.50%)	6/16/2022	9,938	9,845	9,919
Vivid Seats LLC	Business Services	6.75% (L + 5.75%)	10/12/2022	4,000	3,922	3,985
WD Wolverine Holdings, LLC	Healthcare Services	6.50% (L + 5.50%)	10/17/2023	10,200	9,900	9,894
Zywave, Inc.	Software	6.00% (L + 5.00%)	11/17/2022	17,500	17,414	17,413
Total Investments				\$ 360,458	\$ 357,438	\$ 361,719

- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2016.
- (2) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP II.

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Below is certain summarized financial information for SLP II as of December 31, 2017 and December 31, 2016 and for the years ended December 31, 2017 and December 31, 2016:

Selected Balance Sheet Information:	December 31, 2017	December 31, 2016
Investments at fair value (cost of \$379,075 and \$357,438, respectively)	\$ 382,534	\$ 361,719
Receivable from unsettled securities sold	—	1,007
Cash and other assets	8,065	10,138
Total assets	\$ 390,599	\$ 372,864
Credit facility	\$ 266,270	\$ 249,960
Deferred financing costs	(1,966)	(2,565)
Payable for unsettled securities purchased	15,964	24,862
Distribution payable	3,500	3,000
Other liabilities	2,891	3,350
Total liabilities	286,659	278,607
Members' capital	\$ 103,940	\$ 94,257
Total liabilities and members' capital	\$ 390,599	\$ 372,864

Selected Statement of Operations Information:	Year Ended December 31,	
	2017	2016(1)
Interest income	\$ 22,551	\$ 7,463
Other income	351	572
Total investment income	22,902	8,035
Interest and other financing expenses	8,356	3,558
Other expenses	697	650
Total expenses	9,053	4,208
Net investment income	13,849	3,827
Net realized gains on investments	2,281	599
Net change in unrealized (depreciation) appreciation of investments	(822)	4,281
Net increase in members' capital	\$ 15,308	\$ 8,707

(1) For the year ended December 31, 2016, amounts reported relate to the period from April 12, 2016 (commencement of operations) to December 31, 2016.

For the years ended December 31, 2017 and December 31, 2016, the Company earned approximately \$12,406 and \$3,533, respectively, of dividend income related to SLP II, which is included in dividend income. As of December 31, 2017 and December 31, 2016, approximately \$2,779 and \$2,382, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

The Company has determined that SLP II is an investment company under ASC 946, however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation*, concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, the Company does not consolidate SLP II.

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Investment risk factors—First and second lien debt that the Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. Debt investments rated below investment grade are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" compared to debt investments that are rated investment grade. These debt investments are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal and such risk of default could reduce the net asset value and income distributions of the Company. In addition, some of the Company's debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien debt investments. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and /or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

The Company may directly invest in the equity of private companies or, in some cases, equity investments could be made in connection with a debt investment. Equity investments may or may not fluctuate in value resulting in recognized realized gains or losses upon disposition.

Note 4. Fair Value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the inputs to valuation techniques used in measuring investments at fair value. The hierarchy classifies the inputs used in measuring fair value into three levels as follows:

Level I—Quoted prices (unadjusted) are available in active markets for identical investments and the Company has the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by ASC 820, the Company, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level III—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

The inputs used to measure fair value may fall into different levels. In all instances when the inputs fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level of input that is significant to the fair value measurement in its entirety. As such, a Level III fair value measurement may include inputs that are both observable and unobservable. Gains and losses for such assets categorized within the Level III table below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. Changes in the observability of valuation inputs may result in the transfer

**Notes to the Consolidated Financial Statements of
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of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported as transfers in/out of the respective leveling categories as of the beginning of the period in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2017:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
First lien	\$ 693,563	\$ —	\$ 136,866	\$ 556,697
Second lien	682,950	—	239,868	443,082
Subordinated	70,257	—	43,156	27,101
Equity and other	378,890	16	—	378,874
Total investments	<u>\$ 1,825,660</u>	<u>\$ 16</u>	<u>\$ 419,890</u>	<u>\$ 1,405,754</u>

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2016:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
First lien	\$ 700,580	\$ —	\$ 169,979	\$ 530,601
Second lien	604,203	—	280,026	324,177
Subordinated	66,559	—	41,906	24,653
Equity and other	187,475	28	—	187,447
Total investments	<u>\$ 1,558,817</u>	<u>\$ 28</u>	<u>\$ 491,911</u>	<u>\$ 1,066,878</u>

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The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at December 31, 2017:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2016	\$ 1,066,878	\$ 530,601	\$ 324,177	\$ 24,653	\$ 187,447
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(41,086)	(13,848)	(27,195)	—	(43)
Net change in unrealized appreciation (depreciation) of investments	39,690	12,326	31,897	(1,305)	(3,228)
Purchases, including capitalized PIK and revolver fundings(1)	740,395	284,239	256,932	3,753	195,471
Proceeds from sales and paydowns of investments(1)	(380,700)	(229,144)	(150,783)	—	(773)
Transfers into Level III(2)	39,902	—	39,902	—	—
Transfers out of Level III(2)	(59,325)	(27,477)	(31,848)	—	—
Fair value, December 31, 2017	<u>\$ 1,405,754</u>	<u>\$ 556,697</u>	<u>\$ 443,082</u>	<u>\$ 27,101</u>	<u>\$ 378,874</u>
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:	<u>\$ 1,478</u>	<u>\$ 2,115</u>	<u>\$ 4,163</u>	<u>\$ (1,305)</u>	<u>\$ (3,495)</u>

(1) Includes reorganizations and restructurings.

(2) As of December 31, 2017, the portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the year ended December 31, 2016, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at December 31, 2016:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2015	\$ 699,987	\$ 340,890	\$ 182,758	\$ 53,459	\$ 122,880
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	2,259	(482)	113	119	2,509
Net change in unrealized appreciation (depreciation) of investments	9,491	16,016	(16,049)	1,802	7,722
Purchases, including capitalized PIK and revolver fundings (1)	411,500	157,164	140,089	4,273	109,974
Proceeds from sales and paydowns of investments (1)	(203,431)	(102,308)	(10,469)	(35,000)	(55,654)
Transfers into Level III(2)	156,122	119,321	36,785	—	16
Transfers out of Level III(2)	(9,050)	—	(9,050)	—	—
Fair value, December 31, 2016	<u>\$ 1,066,878</u>	<u>\$ 530,601</u>	<u>\$ 324,177</u>	<u>\$ 24,653</u>	<u>\$ 187,447</u>
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:	<u>\$ 7,657</u>	<u>\$ 13,205</u>	<u>\$ (16,049)</u>	<u>\$ 1,351</u>	<u>\$ 9,150</u>

(1) Includes reorganizations and restructurings.

(2) As of December 31, 2016, the portfolio investments were transferred into Level III from Level II or Level I and out of Level III into Level II at fair value as of the beginning of the period in which the reclassifications occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the years ended December 31, 2017 and December 31, 2016. Transfers into Level III occur as quotations obtained through pricing services are not deemed representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

The Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. The Company typically determines the fair value of its performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

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Company Performance, Financial Review, and Analysis: Prior to investment, as part of its due diligence process, the Company evaluates the overall performance and financial stability of the portfolio company. Post investment, the Company analyzes each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. The Company also attempts to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of its original investment thesis. This analysis is specific to each portfolio company. The Company leverages the knowledge gained from its original due diligence process, augmented by this subsequent monitoring, to continually refine its outlook for each of its portfolio companies and ultimately form the valuation of its investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private valuation.

For debt investments, the Company may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of the Company's debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, the Company may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for the Company's debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of December 31, 2017 and December 31, 2016, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of December 31, 2017 and December 31, 2016, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

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The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2017 were as follows:

Type	Fair Value as of December 31, 2017	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 458,543	Market & income approach	EBITDA multiple	2.0x	20.0x	11.8x		
			Revenue multiple	3.5x	8.0x	6.1x		
			Discount rate	6.5%	11.2%	9.2%		
Second lien	98,154	Market quote	Broker quote	N/A	N/A	N/A		
			220,597	Market & income approach	EBITDA multiple	8.0x	16.0x	11.4x
					Discount rate	7.9%	12.5%	10.8%
Subordinated	215,098	Market quote	Broker quote	N/A	N/A	N/A		
			7,387	Other	N/A(1)	N/A	N/A	N/A
					27,101	Market & income approach	EBITDA multiple	4.5x
Equity and other	377,785	Market & income approach	Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.9%	14.9%	12.8%		
			EBITDA multiple	2.5x	18.0x	9.9x		
			Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.0%	23.6%	14.5%		
			1,089	Black Scholes analysis	Expected life in years	8.3	8.3	8.3
Volatility	39.4%	39.4%			39.4%			
Discount rate	2.4%	2.4%			2.4%			
	<u>\$ 1,405,754</u>							

(1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

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The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2016 were as follows:

Type	Fair Value as of December 31, 2016	Approach	Unobservable Input	Range		Weighted Average	
				Low	High		
First lien	\$ 417,464	Market & income approach	EBITDA multiple	2.0x	15.0x	10.2x	
			Revenue multiple	0.5x	8.0x	3.0x	
			Discount rate	7.2%	12.3%	9.7%	
			86,801 Market quote	Broker quote	N/A	N/A	N/A
	26,336	Other	N/A(1)	N/A	N/A	N/A	
Second lien	191,419	Market & income approach	EBITDA multiple	5.3x	16.0x	11.7x	
			Discount rate	8.7%	13.0%	11.3%	
			96,315 Market quote	Broker quote	N/A	N/A	N/A
			36,443 Other	N/A(1)	N/A	N/A	N/A
Subordinated	24,653	Market & income approach	EBITDA multiple	4.5x	8.5x	7.1x	
			Revenue multiple	0.5x	1.0x	0.8x	
			Discount rate	8.7%	15.8%	13.6%	
			Equity and other	158,947	Market & income approach	EBITDA multiple	2.5x
			Revenue multiple	0.5x	1.0x	0.8x	
			Discount rate	8.0%	18.9%	14.5%	
	1,498	Black Scholes analysis	Expected life in years	8.8	9.3	9.1	
			Volatility	32.2%	43.8%	36.4%	
			Discount rate	2.5%	2.5%	2.5%	
	2	Market quote	Broker quote	N/A	N/A	N/A	
	27,000	Other	N/A(1)	N/A	N/A	N/A	
	<u>\$ 1,066,878</u>						

(1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the NMFC Credit Facility (as defined in Note 7. *Borrowings*) are representative of market. The carrying values of the Holdings Credit Facility and NMFC Credit Facility approximate fair value as of December 31, 2017, as the facilities are continually monitored and examined by both the borrower and the lender. The carrying value of the SBA-guaranteed debentures and Unsecured Notes (as defined in Note 7. *Borrowings*) approximate fair value as of December 31, 2017 based on a comparison of market interest rates for the Company's borrowings and similar entities. The fair value of the Holdings Credit Facility, NMFC Credit Facility, SBA-guaranteed debentures and Unsecured Notes are considered Level III. The fair value of the Convertible Notes (as defined in Note 7. *Borrowings*) as of December 31, 2017 was \$159,810, which was based on quoted prices and considered Level II. See Note 7. *Borrowings*, for details. The carrying value of the collateralized agreement approximates fair value as of December 31, 2017 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

Fair value risk factors—The Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Company's investments and/or on the fair value of the Company's investments. The Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Company and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic

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region or in certain industries. These events are beyond the control of the Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

Note 5. Agreements

The Company entered into an investment advisory and management agreement (the "Investment Management Agreement") with the Investment Adviser which was most recently re-approved by the Company's board of directors on February 7, 2018. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company's gross assets, which equals the Company's total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company's gross assets, which equals the Company's total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The Company has not invested, and currently is not invested, in derivatives. To the extent the Company invests in derivatives in the future, the Company will use the actual value of the derivatives, as reported on the Consolidated Statements of Assets and Liabilities, for purposes of calculating its base management fee.

Since the IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and into the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. *Borrowings*). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of December 31, 2017, December 31, 2016 and December 31, 2015 was approximately \$281,174, \$297,323 and \$304,899, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, management fees waived were approximately \$5,642, \$4,824 and \$5,219, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company's "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of December 31, 2017), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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Under GAAP, NMFC's IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. The Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Company also uses the transferred (or fair market) value of each of its investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation"). As of December 31, 2017, all predecessor investments have been sold or matured.

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 2.0% per quarter (8.0% annualized), subject to a "catch-up" provision measured as of the end of each calendar quarter. The hurdle rate is appropriately pro-rated for any partial periods. The calculation of the Company's incentive fee with respect to the Pre-Incentive Fee Adjusted Net Investment Income for each quarter is as follows:

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").
- 100.0% of the Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.
- 20.0% of the amount of the Company's Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved.

For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, incentive fees waived were approximately \$1,800, \$0 and \$0, respectively.

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, the Company accrues a hypothetical capital gains incentive fee based upon the cumulative net Adjusted Realized Capital Gains and Adjusted Realized Capital Losses and the cumulative net Adjusted Unrealized Capital Appreciation and Adjusted Unrealized Capital Depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual Adjusted Realized Capital Gains computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

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The following table summarizes the management fees and incentive fees incurred by the Company for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,		
	2017	2016	2015
Management fee	\$ 32,694	\$ 27,551	\$ 25,858
Less: management fee waiver	(5,642)	(4,824)	(5,219)
Total management fee	27,052	22,727	20,639
Incentive fee, excluding accrued capital gains incentive fees	\$ 25,101	\$ 22,011	\$ 20,591
Less: incentive fee waiver	(1,800)	—	—
Total incentive fee	23,301	22,011	20,591
Accrued capital gains incentive fees(1)	\$ —	\$ —	\$ —

(1) As of December 31, 2017, December 31, 2016 and December 31, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

The Company's Consolidated Statements of Operations below are adjusted as if the step-up in cost basis to fair market value had occurred at the IPO date, May 19, 2011.

The following Consolidated Statement of Operations for the year ended December 31, 2017 is adjusted to reflect this step-up to fair market value.

	Year Ended December 31, 2017	Stepped-up Cost Basis Adjustments	Adjusted Year Ended December 31, 2017
Investment income			
Interest income(1)	\$ 149,800	\$ — (7)	\$ 149,800
Total dividend income(2)	37,250	—	37,250
Other income	10,756	—	10,756
Total investment income(3)	197,806	—	197,806
Total expenses pre-incentive fee(4)	72,301	—	72,301
Pre-Incentive Fee Net Investment Income	125,505	—	125,505
Incentive fee(5)	23,301	—	23,301
Post-Incentive Fee Net Investment Income	102,204	—	102,204
Net realized losses on investments(6)	(39,734)	—	(39,734)
Net change in unrealized appreciation (depreciation) of investments(6)	50,794	— (7)	50,794
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(4,006)	—	(4,006)
Benefit for taxes	140	—	140
Net increase in net assets resulting from operations	\$ 109,398		\$ 109,398

(1) Includes \$6,394 in PIK and non-cash interest from investments.

(2) Includes \$17,853 in PIK and non-cash dividends from investments.

(3) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

(4) Includes expense waivers and reimbursements of \$474 and management fee waivers of \$5,642.

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- (5) For the year ended December 31, 2017, the Company incurred total incentive fees of \$23,301, net of the incentive fee waiver of \$1,800, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (6) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (7) For the year ended December 31, 2017, the adjustment was less than \$1.

The following Consolidated Statement of Operations for the year ended December 31, 2016 is adjusted to reflect this step-up to fair market value.

	Year Ended December 31, 2016	Stepped-up Cost Basis Adjustments	Adjusted Year Ended December 31, 2016
Investment income			
Interest income(1)	\$ 147,425	\$ (65)	\$ 147,360
Total dividend income(2)	11,200	—	11,200
Other income	9,459	—	9,459
Total investment income(3)	168,084	(65)	168,019
Total expenses pre-incentive fee(4)	57,965	—	57,965
Pre-Incentive Fee Net Investment Income	110,119	(65)	110,054
Incentive fee(5)	22,011	—	22,011
Post-Incentive Fee Net Investment Income	88,108	(65)	88,043
Net realized losses on investments(6)	(16,717)	(151)	(16,868)
Net change in unrealized appreciation (depreciation) of investments(6)	40,131	216	40,347
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(486)	—	(486)
Benefit for taxes	642	—	642
Net increase in net assets resulting from operations	<u>\$ 111,678</u>		<u>\$ 111,678</u>

- (1) Includes \$4,270 in PIK interest from investments.
- (2) Includes \$3,178 in PIK dividends from investments
- (3) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (4) Includes expense waivers and reimbursements of \$725 and management fee waivers of \$4,824.
- (5) For the year ended December 31, 2016, the Company incurred total incentive fees of \$22,011, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (6) Includes net realized gains (losses) on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

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The following Consolidated Statement of Operations for the year ended December 31, 2015 is adjusted to reflect this step-up to fair market value.

	Year Ended December 31, 2015	Stepped-up Cost Basis Adjustments	Adjusted Year Ended December 31, 2015
Investment income			
Interest income(1)	\$ 140,074	\$ (131)	\$ 139,943
Total dividend income (2)	5,771	—	5,771
Other income	8,010	—	8,010
Total investment income(3)	153,855	(131)	153,724
Total expenses pre-incentive fee(4)	50,769	—	50,769
Pre-Incentive Fee Net Investment Income	103,086	(131)	102,955
Incentive fee(5)	20,591	—	20,591
Post-Incentive Fee Net Investment Income	82,495	(131)	82,364
Net realized losses on investments (6)	(12,789)	(78)	(12,867)
Net change in unrealized (depreciation) appreciation of investments(6)	(35,272)	209	(35,063)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(296)	—	(296)
Provision for taxes	(1,183)	—	(1,183)
Net increase in net assets resulting from operations	\$ 32,955		\$ 32,955

- (1) Includes \$3,942 in PIK interest from investments.
- (2) Includes \$2,559 in PIK dividends for investments.
- (3) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
- (4) Includes expense waivers and reimbursements of \$733 and management fee waivers of \$5,219.
- (5) For the year ended December 31, 2015, the Company incurred total incentive fees of \$20,591, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
- (6) Includes net realized gains (losses) on investments and net change in unrealized (depreciation) appreciation of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the performance of, the Company's consolidated financial records, prepares reports filed with the SEC, generally monitors the payment of the Company's expenses and watches the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the years ended December 31, 2017, December 31, 2016 and December 31, 2015, approximately \$1,558, \$1,641 and \$1,431, respectively, of indirect administrative expenses were included in administrative expenses of which \$415, \$725 and \$733, respectively, of indirect administrative expenses were waived by the Administrator. As of December 31, 2017 and December 31, 2016, \$444 and \$0, respectively, of indirect administrative expenses were included in payable to affiliates as the expenses were payable to the Administrator.

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As of December 31, 2017, December 31, 2016 and December 31, 2015, no expense waivers or reimbursements were receivable from an affiliate.

The Company, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the "New Mountain" and the "New Mountain Finance" names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Company, the Investment Adviser and the Administrator will have a right to use the "New Mountain" and "New Mountain Finance" names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Company. Other than with respect to this limited license, the Company, the Investment Adviser and the Administrator will have no legal right to the "New Mountain" or the "New Mountain Finance" names.

Note 6. Related Parties

The Company has entered into a number of business relationships with affiliated or related parties.

The Company has entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

The Company has entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company's chief financial officer and chief compliance officer and their respective staffs.

The Company, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

The Company has adopted a formal code of ethics that governs the conduct of its officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to the Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company or for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits the Company to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, the Company is permitted to co-invest with its affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching in respect of the Company or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of the Company's stockholders and is consistent with its then-current investment objective and strategies.

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Note 7. Borrowings

Holdings Credit Facility—On December 18, 2014 the Company entered into the Second Amended and Restated Loan and Security Agreement, among the Company, as the Collateral Manager, NMF Holdings as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019. On October 24, 2017 the Company entered into the Third Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among the Company, as the Collateral Manager, NMF Holdings as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian, which which extended the maturity date to October 24, 2022.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association as Administrative Agent. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

Effective January 1, 2016, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Previously, the Holdings Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.75% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 11,612	\$ 9,546	\$ 10,512
Non-usage fee	\$ 749	\$ 772	\$ 500
Amortization of financing costs	\$ 1,780	\$ 1,615	\$ 1,612
Weighted average interest rate	3.3%	2.8%	2.6%
Effective interest rate	4.1%	3.5%	3.2%
Average debt outstanding	\$ 345,174	\$ 341,055	\$ 394,945

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the Holdings Credit Facility was \$312,363, \$333,513 and \$419,313, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended, dated June 4, 2014 (together with the related guarantee and security agreement, the "NMFC Credit Facility"), among the Company as the Borrower, Goldman Sachs Bank USA as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. The NMFC Credit Facility is guaranteed by certain domestic subsidiaries of the Company and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

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As of December 31, 2017, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$122,500. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 2,010	\$ 2,011	\$ 1,653
Non-usage fee	\$ 257	\$ 183	\$ 104
Amortization of financing costs	\$ 391	\$ 378	\$ 360
Weighted average interest rate	3.6%	3.0%	2.7%
Effective interest rate	4.8%	3.8%	3.5%
Average debt outstanding	\$ 54,853	\$ 66,876	\$ 60,477

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the NMFC Credit Facility was \$122,500, \$10,000 and \$90,000, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, the Company closed a private offering of \$115,000 aggregate principal amount of unsecured convertible notes (the "Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "Indenture"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of the first anniversary, June 3, 2015, of the Convertible Notes, the restrictions under Rule 144A under the Securities Act were removed, allowing the Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, the Company closed a public offering of an additional \$40,250 aggregate principal amount of the Convertible Notes. These additional Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115,000 aggregate principal amount of Convertible Notes that the Company issued on June 3, 2014.

The Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

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The following table summarizes certain key terms related to the convertible features of the Company's Convertible Notes as of December 31, 2017.

	<u>December 31, 2017</u>
Initial conversion premium	12.5 %
Initial conversion rate(1)	62.7746
Initial conversion price	\$ 15.93
Conversion premium at December 31, 2017	11.7 %
Conversion rate at December 31, 2017(1)(2)	63.2794
Conversion price at December 31, 2017(2)(3)	\$ 15.80
Last conversion price calculation date	June 3, 2017

- (1) Conversion rates denominated in shares of common stock per \$1 principal amount of the Convertible Notes converted.
- (2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.
- (3) The conversion price in effect at December 31, 2017 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1 principal amount of the Convertible Notes. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 12. *Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The Company may not redeem the Convertible Notes prior to maturity. No sinking fund is provided for the Convertible Notes. In addition, if certain corporate events occur, holders of the Convertible Notes may require the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The Indenture contains certain covenants, including covenants requiring the Company to provide financial information to the holders of the Convertible Note and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the Indenture.

**Notes to the Consolidated Financial Statements of
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The following table summarizes the interest expense and amortization of financing costs incurred on the Convertible Notes for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 7,763	\$ 6,259	\$ 5,750
Amortization of financing costs	\$ 1,190	\$ 859	\$ 743
Amortization of premium	\$ (111)	\$ (28)	\$ —
Effective interest rate	5.7%	5.7%	5.6%
Average debt outstanding	\$ 155,250	\$ 125,227	\$ 115,000

As of December 31, 2017, December 31, 2016 and December 31, 2015, the outstanding balance on the Convertible Notes was \$155,250, \$155,250 and \$115,000, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.

Unsecured Notes—On May 6, 2016, the Company issued \$50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “2016 Unsecured Notes”), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the “NPA”) and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the “2017A Unsecured Notes” and together with the 2016 Unsecured Notes, the “Unsecured Notes”), pursuant to the NPA and a supplement to the NPA. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with the Company other unsecured indebtedness, including the Company’s Convertible Notes.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2018. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company’s unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the Unsecured Notes at par, in which case holders of the Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company’s investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the Unsecured Notes at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of the Company’s status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders’ equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of the Company or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

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The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Years Ended December 31,					
	2017(1)		2016(2)		2015(3)	
Interest expense	\$	6,098	\$	2,271	\$	—
Amortization of financing costs	\$	493	\$	202	\$	—
Weighted average interest rate		5.2%		5.3%		—%
Effective interest rate		5.6%		5.8%		—%
Average debt outstanding	\$	117,877	\$	65,500	\$	—

- (1) For the year ended December 31, 2017, amounts reported include the 2017A Unsecured Notes for the period from June 30, 2017 (issuance of the 2017A Unsecured Notes) to December 31, 2017.
- (2) For the year ended December 31, 2016, amounts reported relate to the period from May 6, 2016 (issuance of the 2016 Unsecured Notes) to December 31, 2016.
- (3) Not applicable, as the Unsecured Notes were issued on May 6, 2016.

As of December 31, 2017 and December 31, 2016, the outstanding balance on the Unsecured Notes was \$145,000 and \$90,000, respectively, and the Company was in compliance with the terms of the NPA.

SBA-guaranteed debentures—On August 1, 2014 and August 25, 2017, SBIC I and SBIC II received licenses from the SBA to operate as SBICs.

A SBIC license allows SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to the Company, 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 at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over the Company's stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150,000 as long as the licensee has at least \$75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of December 31, 2017 and December 31, 2016, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$121,745, respectively. As of December 31, 2017, SBIC II had regulatory capital of \$2,500 and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures.

**Notes to the Consolidated Financial Statements of
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The following table summarizes the Company's SBA-guaranteed debentures as of December 31, 2017.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures:				
March 25, 2015	March 1, 2025	\$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
September 21, 2016	September 1, 2026	4,000	2.051%	0.742%
September 20, 2017	September 1, 2027	13,000	2.518%	0.742%
Interim SBA-guaranteed debentures:				
	March 1, 2028 (1)	9,255	1.769%	0.742%
	March 1, 2028 (1)	6,000	1.781%	0.742%
Total SBA-guaranteed debentures		\$ 150,000		

(1) Estimated maturity date as interim SBA-guaranteed debentures are expected to pool in March 2018.

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the years ended December 31, 2017, December 31, 2016 and December 31, 2015.

	Year Ended December 31,		
	2017	2016	2015
Interest expense	\$ 4,160	\$ 3,758	\$ 1,701
Amortization of financing costs	\$ 444	\$ 403	\$ 240
Weighted average interest rate	3.1%	3.1%	2.4%
Effective interest rate	3.5%	3.5%	2.7%
Average debt outstanding	\$ 132,572	\$ 119,819	\$ 71,921

The SBIC program is designed to stimulate the flow of private investor capital into eligible small businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of December 31, 2017, December 31, 2016 and December 31, 2015, SBIC I was in compliance with SBA regulatory requirements and as of December 31, 2017, SBIC II was in compliance with SBA regulatory requirements.

Leverage risk factors—The Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Company's common stockholders, and the Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Company's net asset value. Similarly, leverage may cause a sharper decline in

**Notes to the Consolidated Financial Statements of
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the Company's income than if the Company had not borrowed. Such a decline could negatively affect the Company's ability to make dividend payments to its stockholders. Leverage is generally considered a speculative investment technique. The Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

Note 8. Regulation

The Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. In order to continue to qualify and be subject to tax as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, intends to make and will continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code).

Additionally, as a BDC, the Company must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions). In addition, the Company must offer to make available to all eligible portfolio companies managerial assistance.

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities of \$23,716, no outstanding bridge financing commitments and other future funding commitments of \$53,712. As of December 31, 2016, the Company had unfunded commitments on revolving credit facilities of \$27,915, no outstanding bridge financing commitments and other future funding commitments of \$16,368. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's respective Consolidated Schedules of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility and the NMFC Credit Facility as of December 31, 2017 and December 31, 2016. See Note 7. *Borrowings*, for details.

The Company may from time to time enter into financing commitment letters. As of December 31, 2017 and December 31, 2016, the Company had commitment letters to purchase investments in the aggregate par amount of \$13,907 and \$14,818, respectively, which could require funding in the future.

As of December 31, 2017 and December 31, 2016, the Company had unfunded commitments related to an equity investment in SLP II of \$0 and \$7,940, respectively, which was funded at the Company's discretion.

As of December 31, 2017, the Company owed \$12,000 related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company will make semi-annual payments of \$3,000 beginning in June 2018 with the final payment due in December 2019. See *Item 3—Legal Proceedings* of this annual report on Form 10-K for additional details.

**Notes to the Consolidated Financial Statements of
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Note 10. Distributions

Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended December 31, 2017, December 31, 2016 and December 31, 2015, the Company's reclassifications of amounts for book purposes arising from permanent book/tax differences related to return of capital distributions were as follows:

	Year Ended December 31,		
	2017	2016	2015
Undistributed net investment income	\$ 35,793	\$ (1,435)	\$ 141
Distributions in excess of net realized gains	—	(21,572)	—
Additional paid-in-capital	(35,793)	23,007	(141)

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid by the Company for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 were estimated to be as follows:

	Year Ended December 31,		
	2017	2016	2015
Ordinary income (non-qualified)	\$ 72,150	\$ 79,415	\$ 80,967
Ordinary income (qualified)	—	—	—
Capital gains	—	—	—
Return of capital	28,755	9,349	35
Total	\$ 100,905	\$ 88,764	\$ 81,002

As of December 31, 2017, December 31, 2016 and December 31, 2015, the costs of investments for the Company for tax purposes were \$1,799,563, \$1,602,607 and \$1,587,189, respectively.

	December 31, 2017(1)	December 31, 2016(1)
Tax cost	\$ 1,799,563	\$ 1,602,607
Gross unrealized appreciation on investments	63,167	42,335
Gross unrealized depreciation on investments	(11,858)	(56,907)
Total investments at fair value	\$ 1,850,872	\$ 1,588,035

(1) Includes securities purchased under collateralized agreement to resell.

At December 31, 2017, December 31, 2016 and December 31, 2015, the components of distributable earnings on a tax basis differ from the amounts reflected per the Company's Consolidated Statements of Assets and Liabilities by temporary book/tax differences primarily arising from differences between the tax and book basis of the Company's investment in securities held directly as well as through the Predecessor Operating Company and undistributed income.

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As of December 31, 2017, December 31, 2016 and December 31, 2015, the Company's components of accumulated earnings (deficit) on a tax basis were as follows:

	Year Ended December 31,		
	2017	2016	2015
Accumulated capital gains (capital loss carryforwards)	\$ (70,701)	\$ (39,517)	\$ (19,081)
Other temporary differences	11,521	2,072	2,991
Undistributed ordinary income		—	—
Unrealized (appreciation) depreciation	39,928	(26,093)	(57,424)
Total	\$ (19,252)	\$ (63,538)	\$ (73,514)

The Company is subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless the Company distributes, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of its net ordinary income earned for the calendar year and (2) 98.2% of its capital gain net income for the one-year period ending October 31 in the calendar year. For the year ended December 31, 2017, the Company does not expect to incur any excise taxes. For the years ended December 31, 2016 and December 31, 2015, the Company did not incur any excise taxes.

The following information is hereby provided with respect to distributions declared during the calendar years ended December 31, 2017, December 31, 2016 and December 31, 2015:

(unaudited)	Year Ended December 31,		
	2017	2016	2015
Distributions per share	\$ 1.36	\$ 1.36	\$ 1.36
Ordinary dividends	71.50%	89.46%	99.96%
Long-term capital gains	—%	—%	—%
Qualified dividend income	—%	—%	—%
Dividends received deduction	—%	—%	—%
Interest-related dividends(1)	92.59%	89.78%	90.71%
Qualified short-term capital gains(1)	—%	—%	—%
Return of capital	28.50%	10.54%	0.04%

(1) Represents the portion of the taxable ordinary dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Dividends and distributions that were reinvested through the Company's dividend reinvestment plan are treated, for tax purposes, as if they had been paid in cash. Therefore, stockholders who participated in the dividend reinvestment plan should also refer to the information as provided in the table above.

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Note 11. Net Assets

The table below illustrates the effect of certain transactions on the net asset accounts of the Company:

	Common Stock		Treasury Stock at Cost	Paid in Capital in Excess of Par	Accumulated Undistributed Net Investment Income	Accumulated Undistributed Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Net Assets
	Shares	Par Amount						
Balance at December 31, 2014	57,997,890	\$ 580	\$ —	\$ 817,129	\$ 2,530	\$ 14,131	\$ (32,200)	\$ 802,170
Issuances of common stock	6,007,497	60	—	83,010	—	—	—	83,070
Deferred offering costs	—	—	—	(285)	—	—	—	(285)
Distributions declared	—	—	—	—	(81,002)	—	—	(81,002)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	82,495	(12,789)	(36,751)	32,955
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	(141)	141	—	—	—
Balance at December 31, 2015	64,005,387	\$ 640	\$ —	\$ 899,713	\$ 4,164	\$ 1,342	\$ (68,951)	\$ 836,908
Issuances of common stock	5,750,000	58	—	79,005	—	—	—	79,063
Repurchases of common stock	(248,499)	—	(2,948)	—	—	—	—	(2,948)
Reissuance of common stock	210,926	—	2,488	465	—	—	—	2,953
Deferred offering costs	—	—	—	(328)	—	—	—	(328)
Distributions declared	—	—	—	—	(88,764)	—	—	(88,764)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	88,108	(16,717)	40,287	111,678
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	23,007	(1,435)	(21,572)	—	—
Balance at December 31, 2016	69,717,814	\$ 698	\$ (460)	\$ 1,001,862	\$ 2,073	\$ (36,947)	\$ (28,664)	\$ 938,562
Issuances of common stock	6,179,706	61	—	87,552	—	—	—	87,613
Reissuance of common stock	37,573	—	460	100	—	—	—	560
Other	—	—	—	(81)	—	—	—	(81)
Deferred offering costs	—	—	—	(172)	—	—	—	(172)
Distributions declared	—	—	—	—	(100,905)	—	—	(100,905)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	102,204	(39,734)	46,928	109,398
Tax reclassifications related to return of capital distributions (See Note 10)	—	—	—	(35,793)	35,793	—	—	—
Balance at December 31, 2017	75,935,093	\$ 759	\$ —	\$ 1,053,468	\$ 39,165	\$ (76,681)	\$ 18,264	\$ 1,034,975

**Notes to the Consolidated Financial Statements of
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Note 12. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

	Year Ended December 31,		
	2017	2016	2015
Earnings per share—basic			
Numerator for basic earnings per share:	\$ 109,398	\$ 111,678	\$ 32,955
Denominator for basic weighted average share:	74,171,268	64,918,191	59,715,290
Basic earnings per share:	\$ 1.47	\$ 1.72	\$ 0.55
Earnings per share—diluted(1)			
Numerator for increase in net assets per share	\$ 109,398	\$ 111,678	\$ 32,955
Adjustment for interest on Convertible Notes and incentive fees, net	6,210	5,007	4,600
Numerator for diluted earnings per share:	\$ 115,608	\$ 116,685	\$ 37,555
Denominator for basic weighted average share	74,171,268	64,918,191	59,715,290
Adjustment for dilutive effect of Convertible Notes	9,824,127	7,945,196	7,252,799
Denominator for diluted weighted average share	83,995,395	72,863,387	66,968,089
Diluted earnings per share	\$ 1.38	\$ 1.60	\$ 0.55

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2015, there was anti-dilution. For the years ended December 31, 2017 and December 31, 2016, there was no anti-dilution.

**Notes to the Consolidated Financial Statements of
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Note 13. Financial Highlights

The following information sets forth the financial highlights for the Company for the years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Per share data(1):					
Net asset value at the beginning of the period	\$ 13.46	\$ 13.08	\$ 13.83	\$ 14.38	\$ 14.06
Net investment income	1.38	1.36	1.38	1.10	—
Net realized and unrealized gains (losses)(2)	0.15	0.38	(0.77)	(0.80)	—
Net increase (decrease) in net assets resulting from operations allocated from NMF Holdings:					
Net investment income(3)	—	—	—	0.44	1.45
Net realized and unrealized gains (losses)(2)(3)	—	—	—	0.19	0.35
Total net increase	1.53	1.74	0.61	0.93	1.80
Distributions declared to stockholders from net investment income	(1.36)	(1.36)	(1.36)	(1.36)	(1.45)
Distributions declared to stockholders from net realized gains	—	—	—	(0.12)	(0.03)
Net asset value at the end of the period	\$ 13.63	\$ 13.46	\$ 13.08	\$ 13.83	\$ 14.38
Per share market value at the end of the period	\$ 13.55	\$ 14.10	\$ 13.02	\$ 14.94	\$ 15.04
Total return based on market value(4)	5.54%	19.68%	(4.00)%	9.66%	11.62%
Total return based on net asset value(5)	11.77%	13.98%	4.32%	6.56%	13.27%
Shares outstanding at end of period	75,935,093	69,717,814	64,005,387	57,997,890	45,224,755
Average weighted shares outstanding for the period	74,171,268	64,918,191	59,715,290	51,846,164	35,092,722
Average net assets for the period	\$ 1,011,562	\$ 863,193	\$ 832,805	\$ 749,732	\$ 502,822
Ratio to average net assets(6):					
Net investment income	10.10%	10.21%	9.91%	10.68%	10.10%
Total expenses, before waivers/reimbursements	10.23%	9.91%	9.28%	7.65%	8.53%
Total expenses, net of waivers/reimbursements	9.45%	9.27%	8.57%	7.41%	8.13%

- (1) Per share data is based on weighted average shares outstanding for the respective period (except for distributions declared to stockholders which is based on actual rate per share).
- (2) Includes the accretive effect of common stock issuances per share, which for the years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013 were \$0.05, \$0.02, \$0.06, \$0.05 and \$0.04, respectively.
- (3) For the years ended December 31, 2014 and December 31, 2013, per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.
- (4) Total return is calculated assuming a purchase of common stock at the opening of the first day of the period and a sale on the closing of the last business day of the respective period ends. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Company's dividend reinvestment plan.
- (5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (6) Ratio to average net assets for the years ended December 31, 2014 and December 31, 2013 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned. For the year ended December 31, 2014, the Company is reflecting its net investment income and expenses as well as its proportionate share of the Predecessor Operating Company's net investment income and expenses. For the year ended December 31, 2013, the Company is reflecting its proportionate share of the Predecessor Operating Company's net investment income and expenses.

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**December 31, 2017
(in thousands, except share data)**

The following information sets forth the financial highlights for the Company for the years ended December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014, and NMF Holdings for the year ended December 31, 2013.

	NMFC Year Ended December 31,				NMF Holdings Year Ended December 31,
	2017	2016	2015	2014	2013
Average debt outstanding—Holdings Credit Facility(1)	\$ 345,174	\$ 341,055	\$ 394,945	\$ 243,693	\$ 184,124
Average debt outstanding—SLF Credit Facility(2)	—	—	—	208,377	214,317
Average debt outstanding—Convertible Notes(3)	155,250	125,227	115,000	115,000	—
Average debt outstanding—SBA-guaranteed debentures(4)	132,572	119,819	71,921	29,167	—
Average debt outstanding—Unsecured Notes(5)	117,877	65,500	—	—	—
Average debt outstanding—NMFC Credit Facility(6)	54,853	66,876	60,477	11,227	—
Asset coverage ratio(7)	240.76%	259.34%	234.05%	226.70%	257.73%
Portfolio turnover(8)	41.98%	36.07%	33.93%	29.51%	40.52%

- (1) For the year ended December 31, 2014, average debt outstanding represents the Company's average debt outstanding as well as the Company's proportionate share of the Predecessor Operating Company's average debt outstanding. The average debt outstanding for the year ended December 31, 2014 at the Holdings Credit Facility was \$244,598.
- (2) For the year ended December 31, 2014, average debt outstanding represents the Company's average debt outstanding as well as the Company's proportionate share of the Predecessor Operating Company's average debt outstanding for the period January 1, 2014 to December 17, 2014 (date of SLF Credit Facility merger with and into the Holdings Credit Facility). The average debt outstanding for the period January 1, 2014 to December 17, 2014 at the SLF Credit Facility was \$209,333.
- (3) For the year ended December 31, 2014, average debt outstanding represents the period from June 3, 2014 (issuance of the Convertible Notes) to December 31, 2014.
- (4) For the year ended December 31, 2014, average debt outstanding represents the period from November 17, 2014 (date of initial SBA-guaranteed debenture borrowing) to December 31, 2014.
- (5) For the year ended December 31, 2016, average debt outstanding represents the period from May 6, 2016 (issuance of the Unsecured Notes) to December 31, 2016.
- (6) For the year ended December 31, 2014, average debt outstanding represents the period from June 4, 2014 (commencement of the NMFC Credit Facility) to December 31, 2014.
- (7) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirement to exclude the SBA-guaranteed debentures from this calculation.
- (8) For the year ended December 31, 2014, portfolio turnover represents the investment activity of the Predecessor Operating Company and the Company.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
(in thousands, except share data)

Note 14. Selected Quarterly Financial Data (unaudited)

The below selected quarterly financial data is for the Company.

(in thousands except for per share data)

<u>Quarter Ended</u>	<u>Total Investment Income</u>		<u>Net Investment Income</u>		<u>Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation (Depreciation) of Investments(1)</u>		<u>Net Increase (Decrease) in Net Assets Resulting from Operations</u>	
	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>
December 31, 2017	\$ 53,244	\$ 0.70	\$ 26,683	\$ 0.35	\$ 194	\$ —	\$ 26,877	\$ 0.35
September 30, 2017	51,236	0.68	26,292	0.35	(1,516)	(0.02)	24,776	0.33
June 30, 2017	50,019	0.66	25,798	0.34	1,530	0.02	27,328	0.36
March 31, 2017	43,307	0.62	23,431	0.34	6,986	0.10	30,417	0.44
December 31, 2016	\$ 43,784	\$ 0.64	\$ 22,980	\$ 0.34	\$ 10,875	\$ 0.16	\$ 33,855	\$ 0.50
September 30, 2016	41,834	0.66	21,729	0.34	3,350	0.05	25,079	0.39
June 30, 2016	41,490	0.65	21,832	0.34	22,861	0.36	44,693	0.70
March 31, 2016	40,976	0.64	21,567	0.34	(13,516)	(0.21)	8,051	0.13
December 31, 2015	\$ 41,967	\$ 0.66	\$ 22,521	\$ 0.35	\$ (42,548)	\$ (0.66)	\$ (20,027)	\$ (0.31)
September 30, 2015	37,447	0.64	20,659	0.35	(10,855)	(0.18)	9,804	0.17
June 30, 2015	37,905	0.65	20,253	0.35	11	—	20,264	0.35
March 31, 2015	36,536	0.63	19,062	0.33	3,852	0.07	22,914	0.40

(1) Includes securities purchased under collateralized agreements to resell, benefit (provision) for taxes and the accretive effect of common stock issuances per share, if applicable.

Note 15. Recent Accounting Standards Updates

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Overall Subtopic 825-10—Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. The adoption of ASU 2016-01 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

Note 16. Subsequent Events

On January 25, 2018, the Company entered into a Commitment Increase Agreement (the “Commitment Agreement”) related to the NMFC Credit Facility. The Commitment Agreement increases the total commitments under the NMFC Credit Facility from \$122,500 to \$150,000 from existing lenders in accordance with the accordion feature of the NMFC Credit Facility.

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation (Continued)**

December 31, 2017
(in thousands, except share data)

On January 30, 2018, the Company entered into a second supplement (the "Supplement") to its Amended and Restated Note Purchase Agreement, dated September 30, 2016 (the "NPA"). Pursuant to the Supplement, on January 30, 2018, the Company issued to certain institutional investors identified therein, in a private placement, \$90,000 in aggregate principal amount of 4.87% Series 2018A Notes due January 30, 2023 (the "2018A Unsecured Notes") as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2018A Unsecured Notes have the same terms as the \$90,000 in aggregate principal amount of the 2016 Unsecured Notes and the \$55,000 in aggregate principal amount of the 2017A Unsecured Notes (collectively, the "Prior Notes") that the Company previously issued pursuant to the NPA and the first supplement thereto, respectively. The 2018A Unsecured Notes will rank equal in priority with the Company's other unsecured indebtedness, including the Prior Notes. Interest on the 2018A Unsecured Notes will be payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2018.

On February 21, 2018, the Company's board of directors declared a first quarter 2018 distribution of \$0.34 per share payable on March 29, 2018 to holders of record as of March 15, 2018.

On February 27, 2018, the Company entered into Amendment No. 3 (the "Amendment") to the NMFC Credit Facility. The Amendment extends the term of the NMFC Credit Facility from the existing maturity date of June 4, 2019 to June 4, 2022. After June 4, 2019, the capacity under the NMFC Credit Facility will be reduced from the existing amount of \$150,000 to \$135,000.

The terms "we", "us", "our" and the "Company" refers to New Mountain Finance Corporation and its consolidated subsidiaries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2017 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017 based upon the criteria in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment, management determined that our internal control over financial reporting was effective as of December 31, 2017.

(c) Attestation Report of the Registered Public Accounting Firm.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on New Mountain Finance Corporation's internal control over financial reporting, which is set forth on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New Mountain Finance Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Mountain Finance Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017 of the Company and our report dated February 28, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 28, 2018

Changes in Internal Control Over Financial Reporting

Management has not identified any change in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

The terms "we", "us", "our" and the "Company" refers to New Mountain Finance Corporation and its consolidated subsidiaries.

PART III

We will file a definitive Proxy Statement for our 2018 Annual Meeting of Stockholders with the United States Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders, to be filed with the United States Securities and Exchange Commission within 120 days following the end of our fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents Filed as Part of this Report

The following financial statements are set forth in Item 8:

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities as of December 31, 2017 and December 31, 2016	86
Consolidated Statements of Operations for the years ended December 31, 2017, December 31, 2016 and December 31, 2015	87
Consolidated Statements of Changes in Net Assets for the years ended December 31, 2017, December 31, 2016 and December 31, 2015	88
Consolidated Statements of Cash Flows for the years ended December 31, 2017, December 31, 2016 and December 31, 2015	89
Consolidated Schedule of Investments as of December 31, 2017	90
Consolidated Schedule of Investments as of December 31, 2016	103
Notes to the Consolidated Financial Statements of New Mountain Finance Corporation	114

(b) Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the United States Securities and Exchange Commission:

Exhibit Number	Description
3.1(a)	Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)
3.1(b)	Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)
3.2	Amended and Restated Bylaws of New Mountain Finance Corporation(2)
4.1	Form of Stock Certificate of New Mountain Finance Corporation(1)
4.2	Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, dated June 3, 2014(7)
4.3	Form of Global Note 5.00% Convertible Note Due 2019 (included as part of Exhibit 4.2)(7)
10.1	Third Amended and Restated Loan and Security Agreement, dated as of October 24, 2017, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as administrative agent, and Wells Bank Fargo, National Association, as lender and custodian(9)
10.2	Form of Variable Funding Note of New Mountain Finance Holdings, L.L.C., as the Borrower(1)
10.3	Form of Amended and Restated Account Control Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Securities Intermediary(1)
10.4	Form of Senior Secured Revolving Credit Agreement, by and between New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent, dated June 4, 2014(8)
10.5	Form of Guarantee and Security Agreement dated June 4, 2014, among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent(8)
10.6	Amendment No. 1, dated December 29, 2014, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(10)
10.7	Amendment No. 2, dated June 26, 2015, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(12)
10.8	Amendment No. 3, dated February 27, 2018 to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent
10.9	Commitment Increase Agreement, dated March 23, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent(13)
10.10	Commitment Increase Agreement, dated May 4, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent(14)
10.11	Commitment Increase Agreement, dated January 25, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent for said Lenders and Syndication Agent
10.12	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.13	Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent(1)
10.14	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.15	Second Amended and Restated Administration Agreement(11)
10.16	Form of Trademark License Agreement(1)
10.17	Amendment No. 1 to Trademark License Agreement(4)
10.18	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)

Exhibit Number	Description
10.19	Dividend Reinvestment Plan(2)
10.20	Limited Liability Company Agreement of NMFC Senior Loan Program II LLC, dated March 9, 2016(14)
10.21	Form of Amended and Restated Note Purchase Agreement relating to 5.313% Notes due 2021, dated September 30, 2016, by and between New Mountain Finance Corporation and the purchasers party thereto(15)
10.22	Form of Amended and Restated Note Purchase Agreement relating to 4.760% Notes due 2022, dated June 30, 2017, by and between New Mountain Finance Corporation and the purchasers party thereto(16)
10.23	Form of Amended and Restated Note Purchase Agreement relating to 4.870% Notes due 2023, dated January 30, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto(17)
11.1	Computation of Per Share Earnings for New Mountain Finance Corporation (included in the notes to the financial statements contained in this report)
14.1	Code of Ethics(1)
21.1	Subsidiaries of New Mountain Finance Corporation: New Mountain Finance Holdings, L.L.C. (Delaware) NMF Ancora Holdings, Inc. (Delaware) NMF QID NGL Holdings, Inc. (Delaware) NMF YP Holdings, Inc. (Delaware) New Mountain Finance Servicing, L.L.C. (Delaware) New Mountain Finance SBIC G.P., L.L.C. (Delaware) New Mountain Finance SBIC II G.P., L.L.C. (Delaware) New Mountain Finance SBIC, L.P. (Delaware) New Mountain Finance SBIC II, L.P. (Delaware)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

- (1) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.
- (2) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.
- (3) Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.
- (4) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on November 14, 2011.
- (5) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 2 (File Nos. 333-189706 and 333-189707) filed on April 11, 2014.
- (6) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 8, 2014.
- (7) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 4, 2014.
- (8) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 10, 2014.
- (9) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on October 31, 2017.
- (10) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on January 5, 2015.

- (11) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 5, 2015.
- (12) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 30, 2015.
- (13) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on March 29, 2016.
- (14) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 4, 2016.
- (15) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on October 3, 2016.
- (16) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 3, 2017.
- (17) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on February 5, 2018.

Financial Statement Schedules

No financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned financial statements.

Item 16. Form 10-K Summary

None.

AMENDMENT NO. 3

AMENDMENT NO. 3 (this "Amendment") dated as of February 27, 2018, among NEW MOUNTAIN FINANCE CORPORATION (the "Borrower"), the Lenders party hereto and GOLDMAN SACHS BANK USA, in its capacity as Administrative Agent (the "Agent"), Swingline Lender (the "Swingline Lender") and Issuing Bank (the "Issuing Bank") under the Credit Agreement referred to below.

The Borrower is party to the Senior Secured Revolving Credit Agreement, dated as of June 4, 2014, among the Borrower, the Lenders party thereto, the Agent, and Goldman Sachs Bank USA, as Syndication Agent (as amended, amended and restated, modified or otherwise supplemented prior to the date hereof, the "Credit Agreement").

The Borrower and the Lenders wish now to amend the Credit Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment, terms defined in the Credit Agreement as amended hereby and together with all amended exhibits and updated schedules and appendices thereto are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 5 below, and effective as of the Amendment Effective Date, the Credit Agreement is hereby amended as follows:

(a) The definitions of "Commitment Termination Date" and "Final Maturity Date" in Section 1.01 shall be amended and restated as follows:

"Commitment Termination Date" means June 4, 2021.

"Final Maturity Date" means June 4, 2022.

(b) The following definitions are hereby added to Section 1.01 in the correct alphabetical order:

"2018 Extending Lender(s)" means Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Stifel Bank & Trust, any successor or assign of a 2018 Extending Lender, any successor or assign of a 2018 Non-Extending Lender that agrees to become a 2018 Extending Lender and any Assuming Lender that becomes a party to the Credit Agreement following the Third Amendment Effective Date.

"2018 Non-Extending Lender(s)" means Security Benefit Life and any successor or assign of a 2018 Non-Extending Lender that does not agree to become a 2018 Extending Lender.

"Guarantee and Security Agreement Confirmation" means that certain Guarantee and Security Agreement Confirmation dated as of February 27, 2018, between the Borrower and the Administrative Agent.

"Third Amendment" means that certain Amendment No. 3, among the Borrower, the Lenders party thereto and the Administrative Agent dated as of the Third Amendment Effective Date.

"Third Amendment Effective Date" means February 27, 2018.

(c) Section 2.03(i) is amended by replacing "three Business Days" with "two Business Days";

(d) A new sub-clause (v) shall be added to Section 2.08(e) as follows:

“(v) 2018 Non-Extending Lenders. No 2018 Non-Extending Lender may participate in any Commitment Increase unless in connection therewith, it shall have agreed to become a 2018 Extending Lender hereunder.”

(e) A new subsection (f) shall be added to Section 2.08 as follows:

“(f) Mandatory Termination of Commitments of 2018 Non-Extending Lenders. Unless previously terminated, the Commitments of each 2018 Non-Extending Lender shall terminate on June 4, 2018. In connection with the foregoing, each Lender (other than any 2018 Non-Extending Lender), hereby agrees that it shall not be entitled to any pro-rata reduction in its Commitments of the same Class notwithstanding Section 2.17(c) or other provision hereof to the contrary.”

(f) A new subsection (g) shall be added to Section 2.10 as follows:

“(g) Special Mandatory Repayment to 2018 Non-Extending Lenders. On June 4, 2019 (or, so long as no Default or Event of Default has occurred and is continuing, on such earlier date on or after June 4, 2018 as the Borrower may elect by written notice in accordance with Section 2.10(e)), the Borrower shall repay all of the Loans of the 2018 Non-Extending Lenders and, in connection therewith, each other Lender hereby agrees that, so long as its Loans are not otherwise due and payable hereunder, it shall not be entitled to any pro-rata repayment of its Loans of the same Class notwithstanding Section 2.17(c) or any other provision hereof to the contrary. The foregoing special mandatory repayment is subject to the following:

(1) if any LC Exposure exists at the time of such repayment to the 2018 Non-Extending Lenders all of such LC Exposure held by the 2018 Non-Extending Lenders shall be reallocated among the 2018 Extending Lenders in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all Revolving Credit Exposures of the 2018 Extending Lenders does not exceed the total of all 2018 Extending Lenders’ Commitments, (y) no 2018 Extending Lender’s Revolving Credit Exposure will exceed such Lender’s Commitment, and (z) the conditions set forth in Section 4.02 are satisfied at such time;

(2) if any Swingline Exposure exists at the time of such repayment to the 2018 Non-Extending Lenders all of such Swingline Exposure held by the 2018 Non-Extending Lenders shall be reallocated among the 2018 Extending Lenders in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all Revolving Credit Exposures of the 2018 Extending Lenders does not exceed the total of all 2018 Extending Lenders’ Commitments, (y) no 2018 Extending Lender’s Revolving Credit Exposure will exceed such Lender’s Commitment, and (z) the conditions set forth in Section 4.02 are satisfied at such time; and

(3) if the reallocations described in clauses (1) and (2) above cannot, or can only partially, be effected, the Borrower shall on the day of such prepayment to the 2018 Non-Extending Lenders also prepay Loans in accordance with Section 2.10(a) in an amount such that after giving effect thereto, (x) all LC Exposure of the 2018 Non-Extending Lenders could be reallocated in accordance with clause (1) above (whereupon such LC Exposure shall be so reallocated regardless of whether the conditions set forth in Section 4.02 are satisfied at such time) and (y) all Swingline Exposure of the 2018 Non-Extending Lenders could be reallocated in accordance with clause (2) above (whereupon such Swingline Exposure shall be so reallocated regardless of whether the conditions set forth in Section 4.02 are satisfied at such time).”

(a) Schedule 1.01(b) to the Credit Agreement is amended by replacing it with Annex I hereto.

(b) Schedule 3.11 to the Credit Agreement is amended by replacing it with Annex II hereto.

(c) Any reference in any Loan Document to Schedule 3.11 of the Credit Agreement, to Schedule 3.11 as of the Effective Date or to items contained in such Schedule 3.11 as of the Effective Date, in whole or in part, shall refer to such schedule as amended pursuant to the Third Amendment.

Section 3. Representations and Warranties. The Borrower represents and warrants to each Lender, the Agent, the Swingline Lender and the Issuing Bank that on the Third Amendment Effective Date (a) the representations and warranties of the Borrower set forth in Article III of the Credit Agreement and in the other Loan Documents are true and correct in all material

respects (or, in the case of any portion of the representations and warranties already subject to a materiality qualifier, true and correct in all respects) on and as of the Third Amendment Effective Date, or as to any such representation or warranty that refers to a specific date, as of such specific date and (b) no Default or Event of Default has occurred and is continuing on the Third Amendment Effective Date.

Section 4. Conditions Precedent. The amendments to the Credit Agreement set forth in Section 2 of this Amendment shall not become effective until the date (the "Third Amendment Effective Date") on which the conditions below are satisfied, each of which shall be reasonably satisfactory to the Agent:

(a) Execution. The receipt by the Agent of counterparts of this Amendment executed by the Borrower, the Agent (in its capacity as Administrative Agent), the Swingline Lender, the Issuing Bank, the Required Lenders.

(b) Officer's Certificate. The receipt by the Agent of a certificate, dated the Third Amendment Effective Date and signed by a Financial Officer of the Borrower, confirming that (i) the representations and warranties of the Borrower set forth in Article III of the Credit Agreement and in the other Loan Documents shall be true and correct in all material respects (or, in the case of any portion of the representations and warranties already subject to a materiality qualifier, true and correct in all respects) on and as of the Third Amendment Effective Date, or as to any such representation or warranty that refers to a specific date, as of such specific date, and (ii) no Default or Event of Default shall have occurred and be continuing on the Third Amendment Effective Date or shall result from the transactions contemplated by this Amendment.

(c) Guarantee and Security Agreement Confirmation. A Guarantee and Security Agreement Confirmation, in form and substance to be mutually agreed, duly executed and delivered by each of the parties to the Guarantee and Security Agreement affirming each of the Obligors' obligations under the Guarantee and Security Agreement.

(d) Borrowing Base Certificate. A Borrowing Base Certificate as of a date not more than five days prior to the Third Amendment Effective Date.

(e) Opinion of Counsel to the Obligors. A favorable written opinion (addressed to the Agent and the Lenders and dated the Third Amendment Effective Date) of Simpson Thacher & Bartlett LLP, New York counsel for the Obligors.

The effectiveness of this Amendment is also subject to the payment by the Borrower of such fees as the Borrower shall have agreed to pay to the Agent in connection herewith and, to the extent invoiced at least two Business Days prior to the required payment date, the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to the Agent, in connection with the negotiation, preparation, execution and delivery of this Amendment.

The Agent shall notify the Borrower and the Lenders of the Third Amendment Effective Date promptly upon its occurrence, and such notice shall be conclusive and binding.

Section 5. Reference to and Effect on the Credit Agreement. On and after the Third Amendment Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Third Amendment. The Credit Agreement and each of the other Loan Documents, as specifically amended by this Third Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. This Third Amendment shall be deemed to be a "Loan Document" for all purposes of the Credit Agreement (as amended hereby) and the other Loan Documents. The execution, delivery and effectiveness of this Third Amendment shall not, except as expressly provided herein, operate as an amendment or waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute an amendment or waiver of any provision of any of the Loan Documents.

Section 6. Miscellaneous. Except as specifically herein provided, the Credit Agreement and the other Loan Documents are in full force and effect and are hereby in all respects ratified and confirmed. This Amendment shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of a signature page to this Amendment by electronic transmission shall be effective as delivery of a manually executed counterpart to this Amendment. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Credit Agreement to be duly executed and delivered as of the day and year first above written.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Shiraz Y. Kajee

Name: Shiraz Y. Kajee

Title: Chief Financial Officer and Treasurer

GOLDMAN SACHS BANK USA,
as Agent and a Lender

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

GOLDMAN SACHS BANK USA,
as Swingline Lender and Issuing Bank

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

STIFEL BANK & TRUST,
as a Lender

By: /s/ Joseph L. Sooter, Jr.
Name: Joseph L. Sooter, Jr.
Title: Senior Vice President

MORGAN STANLEY BANK, N.A.,
as a Lender

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

Commitments

<u>2018 Extending Lender</u>	<u>Multicurrency Commitment</u>
Goldman Sachs Bank USA	\$62,100,000
Morgan Stanley Bank, N.A.	\$51,400,000
<u>2018 Extending Lender</u>	<u>Dollar Commitment</u>
Stifel Bank & Trust	\$21,500,000
<u>2018 Non-Extending Lender</u>	<u>Multicurrency Commitment</u>
Security Benefit Life	\$15,000,000

Material Agreements and LiensMaterial Agreements

1. Third Amended and Restated Loan and Security Agreement (as amended, modified, waived, supplemented, restated or replaced from time to time), dated as of October 24, 2017, by and among New Mountain Finance Holdings, L.L.C., as borrower, New Mountain Finance Corporation, as collateral manager, each of the lenders from time to time party thereto and Wells Fargo Bank, National Association, as the swingline lender, administrative agent and collateral custodian.
2. Loan and Security Agreement, dated as of June 17, 2014, by and among New Mountain Finance Corporation, as collateral manager, NMFC Senior Loan Program I LLC, as borrower, each of the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent and Wells Fargo Bank, National Association, as collateral custodian.
3. Loan and Security Agreement, dated as of April 12, 2016, by and among New Mountain Finance Corporation, as collateral manager, NMFC Senior Loan Program II LLC, as borrower, each of the lenders from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent and Wells Fargo Bank, National Association, as collateral custodian.
4. Indenture, dated as of June 3, 2014, between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, relating to New Mountain Finance Corporation's 5.00% Senior Convertible Notes due 2019.
5. Purchase Agreement, dated as of May 28, 2014, by and among New Mountain Finance Corporation, as Issuer, New Mountain Finance Advisors BDC, L.L.C., as Adviser, New Mountain Finance Administration, L.L.C., as Administrator, and Goldman Sachs & Co., Wells Fargo Securities, LLC and Morgan Stanley & Co. LLC, as Initial Purchasers.
6. Note Purchase Agreement dated May 4, 2016, as amended and restated by the Amended and Restated Note Purchase Agreement dated September 30, 2016 (the "Amended and Restated Note Purchase Agreement"), by and between New Mountain Finance Corporation and the purchasers party thereto, relating to New Mountain Finance Corporation's 5.313% Senior Notes due May 15, 2021.
7. Amended and Restated Note Purchase Agreement, as supplemented by the First Supplement to Amended and Restated Note Purchase Agreement dated June 30, 2017, by and between New Mountain Finance Corporation and the purchasers party thereto, relating to New Mountain Finance Corporation's 4.760% Series 2017A Senior Notes due July 15, 2022.
8. Amended and Restated Note Purchase Agreement, as supplemented by the Second Supplement to Amended and Restated Note Purchase Agreement dated January 30, 2018, by and between New Mountain Finance Corporation and the purchasers party thereto, relating to New Mountain Finance Corporation's 4.87% Series 2018A Senior Notes due January 30, 2023.

Liens

Liens created pursuant to this Agreement or any of the Security Documents.

COMMITMENT INCREASE AGREEMENT

January 25, 2018

Goldman Sachs Bank USA, as Administrative Agent
(the "Administrative Agent") for the Lenders party to the
Credit Agreement referred to below

6011 Connection Drive
Irving, Texas 75039

Ladies and Gentlemen:

We refer to the \$122,500,000 Senior Secured Revolving Credit Agreement dated as of June 4, 2014 (as amended, modified or supplemented from time to time and giving effect to prior Commitment increases to date, the "Credit Agreement"; the terms defined therein being used herein as therein defined) among New Mountain Finance Corporation (the "Borrower"), the Lenders party thereto, Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent. You have advised us that the Borrower has requested in a letter dated as of January 25, 2018 (the "Increase Request") from the Borrower to the Administrative Agent that the aggregate amount of the Multicurrency Commitments be increased by a total amount equal to \$23,500,000 and the aggregate amount of the Dollar Commitments be increased by a total amount equal to \$4,000,000 (together, the "Commitment Increase"), for a total facility size of \$150,000,000, on the terms and subject to the conditions set forth in this Commitment Increase Agreement (the "Commitment Increase Agreement").

A. Commitment Increase. Pursuant to Section 2.08(e) of the Credit Agreement, each Increasing Lender set forth on Schedule I hereto under the heading "Increasing Lenders" hereby agrees to increase its existing Multicurrency Commitment or Dollar Commitment, as applicable, by the amount set forth opposite the name of such Increasing Lender in Schedule I hereto, such additional Multicurrency Commitment or Dollar Commitment, as applicable, to be effective as of January 25, 2018 (the "Commitment Increase Date"); provided that the Administrative Agent shall have received a duly executed officer's certificate from the Borrower, dated the Commitment Increase Date, in substantially the form of Exhibit I hereto and such Increasing Lender shall have received its upfront fee set forth on Schedule I. The Borrower, the Administrative Agent and each Increasing Lender hereby agrees that, as of the Commitment Increase Date, Schedule 1.01(b) of the Credit Agreement shall be replaced with Schedule II hereto.

B. Confirmation of Increasing Lenders. Each Increasing Lender agrees that from and after the Commitment Increase Date, its additional commitment set forth opposite such Increasing Lender's name in Schedule I hereto shall be included in its Commitment and be governed for all purposes by the Credit Agreement and the other Loan Documents.

C. Counterparts. This Commitment Increase Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Commitment Increase Agreement by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

D. Governing Law. This Commitment Increase Agreement shall be construed in accordance with and governed by the law of the State of New York.

[Signature pages follow]

Very truly yours,

INCREASING LENDERS

GOLDMAN SACHS BANK USA

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

STIFEL BANK & TRUST

By: /s/ Joseph L. Sooter, Jr.
Name: Joseph L. Sooter, Jr.
Title: Senior Vice President

MORGAN STANLEY BANK, N.A.

By: /s/ Kenya Yamamoto
Name: Kenya Yamamoto
Title: Authorized Signatory

Accepted and agreed:

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Shiraz Kajee
Name: Shiraz Kajee
Title: Authorized Signatory

Acknowledged:
GOLDMAN SACHS BANK USA,
as Administrative Agent and Issuing Bank

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

SCHEDULE 1

Increasing Lenders	Commitment	Upfront Fee
Goldman Sachs Bank USA	\$14,100,000 (Multicurrency) ¹	\$35,250
Stifel Bank & Trust	\$4,000,000 (Dollar) ²	\$10,000
Morgan Stanley Bank, N.A.	\$9,400,000 (Multicurrency) ³	\$23,500

¹As of the Commitment Increase Date, Goldman Sachs Bank USA's total Commitment under the Credit Agreement will be \$62,100,000.

²As of the Commitment Increase Date, Stifel Bank & Trust's total Commitment under the Credit Agreement will be \$21,500,000.

³As of the Commitment Increase Date, Morgan Stanley Bank, N.A.'s total Commitment under the Credit Agreement will be \$51,400,000.

Commitments

<u>Lender</u>	<u>Multicurrency Commitment</u>
Goldman Sachs Bank USA	\$62,100,000
Morgan Stanley Bank, N.A.	\$51,400,000
Security Benefit Life	\$15,000,000
<u>Lender</u>	<u>Dollar Commitment</u>
Stifel Bank & Trust	\$21,500,000

EXHIBIT I

FORM OF OFFICER'S CERTIFICATE

January 25, 2018

Goldman Sachs Bank USA, as Administrative Agent
(the "Administrative Agent") for the Lenders party to the
Credit Agreement referred to below

6011 Connection Drive
Irving, Texas 75039

Ladies and Gentlemen:

On behalf of New Mountain Finance Corporation (the "Borrower"), I, Robert Hamwee, Chief Executive Officer of the Borrower, refer to the \$122,500,000 Senior Secured Revolving Credit Agreement dated as of June 4, 2014 (as amended, modified or supplemented from time to time and giving effect to prior Commitment increases to date, the "Credit Agreement"; the terms defined therein being used herein as therein defined) among the Borrower, the Lenders party thereto, Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent. I also refer to the letter dated as of January 25, 2018 (the "Increase Request") from the Borrower to the Administrative Agent, requesting that the aggregate amount of the Multicurrency Commitments be increased by a total amount equal to \$23,500,000 and the aggregate amount of the Dollar Commitments be increased by a total amount equal to \$4,000,000, for a total facility size of \$150,000,000, on the Commitment Increase Date (as defined in the Increase Request).

With respect to the Increase Request, I hereby certify in my capacity as an authorized officer of the Borrower that each of the conditions to the related Commitment Increase set forth in Sections 2.08(e)(i)(D) and (E) of the Credit Agreement have been satisfied as of the date hereof.

Very truly yours,

Name:

Title:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert A. Hamwee, Chief Executive Officer of New Mountain Finance Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of New Mountain Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 28th day of February 2018

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shiraz Y. Kajee, Chief Financial Officer of New Mountain Finance Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of New Mountain Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 28th day of February 2018

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the period ended December 31, 2017 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Robert A. Hamwee, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ ROBERT A. HAMWEE

Name: Robert A. Hamwee
Date: February 28, 2018

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the period ended December 31, 2017 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Shiraz Y. Kajee, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ SHIRAZ Y. KAJEE

Name: Shiraz Y. Kajee
Date: February 28, 2018