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

FORM 10-Q

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

For the Quarter Ended September 30, 2015

☐ **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, address 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**

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

Description	Shares as of November 4, 2015
Common stock, $0.01 par value	64,005,387

FORM 10-Q FOR THE QUARTER ENDEDSEPTEMBER 30, 2015
TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

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

	September 30, 2015	December 31, 2014
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of $1,361,806 and $1,422,891, respectively)	$ 1,343,861	$ 1,402,210
Non-controlled/affiliated investments (cost $88,532 and $23,000, respectively)	88,446	22,461
Controlled investments (cost $41,129 and $0, respectively)	45,673	—
Total investments at fair value (cost $1,491,467 and $1,445,891, respectively)	1,477,980	1,424,671
Securities purchased under collateralized agreements to resell	30,000	30,000
Cash and cash equivalents	24,612	23,445
Interest and dividend receivable	15,900	11,744
Deferred financing costs (net of accumulated amortization of $8,047 and $5,867, respectively)	14,429	14,052
Receivable from unsettled securities sold	4,669	8,912
Receivable from affiliates	371	490
Other assets	2,014	1,606
Total assets	$ 1,569,975	$ 1,514,920
Liabilities		
Holdings Credit Facility	$ 385,538	$ 468,108
Convertible Notes	115,000	115,000
SBA-guaranteed debentures	103,795	37,500
NMFC Credit Facility	67,500	50,000
Management fee payable	5,136	5,144
Incentive fee payable	5,034	4,803
Interest payable	2,719	1,352
Payable for unsettled securities purchased	2,428	26,460
Deferred tax liability	1,710	493
Payable to affiliates	134	822
Other liabilities	2,284	3,068
Total liabilities	691,278	712,750
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, and 64,005,387 and 57,997,890 shares issued and outstanding, respectively	640	580
Paid in capital in excess of par	899,854	817,129
Accumulated undistributed net investment income	3,264	2,530
Accumulated undistributed net realized gains on investments	623	14,131
Net unrealized (depreciation) appreciation on investments (net of provision for taxes of $1,710 and $493, respectively)	(25,684)	(32,200)
Total net assets	$ 878,697	$ 802,170
Total liabilities and net assets	$ 1,569,975	$ 1,514,920
Number of shares outstanding	64,005,387	57,997,890
Net asset value per share	$ 13.73	$ 13.83

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

Table of Contents

New Mountain Finance Corporation

Consolidated Statements of Operations
(in thousands, except shares and per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Investment income(1)				
From non-controlled/non-affiliated investments:				
Interest income	$ 31,628	$ 32,353	$ 97,249	$ 51,141
Dividend income	(509)	214	(407)	1,186
Other income	1,619	1,667	3,496	2,372
From non-controlled/affiliated investments:				
Interest income	1,594	—	3,820	—
Dividend income	892	297	2,701	297
Other income	1,020	175	1,642	179
From controlled investments:				
Interest income	517	—	1,487	—
Dividend income	673	—	1,864	—
Other income	13	—	36	—
Investment income allocated from New Mountain Finance Holdings, L.L.C. (2)				
Interest income	—	—	—	40,515
Dividend income	—	—	—	2,368
Other income	—	—	—	795
Total investment income	37,447	34,706	111,888	98,853
Expenses				
Incentive fee(1)	5,034	4,520	14,969	7,267
Capital gains incentive fee(1)	(490)	(2,667)	—	(1,904)
Total incentive fees(1)	4,544	1,853	14,969	5,363
Management fee(1)	6,373	5,021	19,039	7,763
Interest and other financing expenses(1)	5,788	5,237	16,863	7,796
Professional fees(1)	808	890	2,456	1,530
Administrative expenses(1)	647	549	1,804	909
Other general and administrative expenses(1)	370	448	1,252	687
Net expenses allocated from New Mountain Finance Holdings, L.L.C. (2)	—	—	—	20,808
Total expenses	18,530	13,998	56,383	44,856
Less: management fee waived (see Note 5) (1)	(1,237)	—	(3,866)	—
Less: expenses waived and reimbursed (see Note 5) (1)	(333)	(322)	(733)	(380)
Net expenses	16,960	13,676	51,784	44,476
Net investment income before income taxes	20,487	21,030	60,104	54,377
Income tax (benefit) expense(1)	(172)	230	130	230
Net investment income	20,659	20,800	59,974	54,147
Net realized (losses) gains:				
Non-controlled/non-affiliated investments(1)	(37)	768	(13,508)	(299)
Investments allocated from New Mountain Finance Holdings, L.L.C. (2)	—	—	—	8,568
Net change in unrealized (depreciation) appreciation:				
Non-controlled/non-affiliated investments(1)	(8,360)	(14,220)	2,148	(8,512)
Non-controlled/affiliated investments(1)	313	(52)	1,041	(52)
Controlled investments(1)	(2,190)	—	4,544	—
Investments allocated from New Mountain Finance Holdings, L.L.C. (2)	—	—	—	940
(Provision) benefit for taxes(1)	(581)	115	(1,217)	(271)
Net increase in net assets resulting from operations	9,804	7,411	52,982	54,521
Basic earnings per share	$ 0.17	$ 0.14	$ 0.91	$ 1.09
Weighted average shares of common stock outstanding - basic (See Note 11)	58,725,338	52,071,071	58,269,543	50,262,656
Diluted earnings per share	$ 0.17	$ 0.14	$ 0.86	$ 1.05
Weighted average shares of common stock outstanding - diluted (See Note 11)	66,002,469	59,290,154	65,514,142	53,594,541
Dividends declared and paid per share	$ 0.34	$ 0.46	$ 1.02	$ 1.14

(1) For the nine months ended September 30, 2014, the amounts reported relate to the period from May 8, 2014 toSeptember 30, 2014.

(2) For the nine months ended September 30, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.

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)
(unaudited)

	Nine Months Ended	
	September 30, 2015	**September 30, 2014**
Increase (decrease) in net assets resulting from operations:		
Net investment income(1)	$ 59,974	$ 31,277
Net investment income allocated from New Mountain Finance Holdings, L.L.C. (2)	—	22,870
Net realized losses on investments(1)	(13,508)	(299)
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C. (2)	—	8,568
Net change in unrealized appreciation (depreciation) of investments(1)	7,733	(8,564)
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.(2)	—	940
Provision for taxes(1)	(1,217)	(271)
Net increase in net assets resulting from operations	52,982	54,521
Capital transactions		
Net proceeds from shares sold	79,415	58,644
Deferred offering costs(1)	(285)	(126)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.(2)	—	(250)
Value of shares issued for exchanged units	—	38,840
Dividends declared to stockholders from net investment income	(59,240)	(51,673)
Dividends declared to stockholders from net realized gains	—	(6,247)
Reinvestment of dividends	3,655	3,641
Total net increase in net assets resulting from capital transactions	23,545	42,829
Net increase in net assets	76,527	97,350
Net assets at the beginning of the period	802,170	650,107
Net assets at the end of the period	$ 878,697	$ 747,457

(1) For the nine months ended September 30, 2014, the amounts reported relate to the period from May 8, 2014 toSeptember 30, 2014.

(2) For the nine months ended September 30, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.

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

New Mountain Finance Corporation

Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 52,982	$ 54,521
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.(2)	—	(22,870)
Net realized losses on investments(1)	13,508	299
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C. (2)	—	(8,568)
Net change in unrealized (appreciation) depreciation of investments(1)	(7,733)	8,564
Net change in unrealized (appreciation) depreciation of investments allocated from New Mountain Finance Holdings, L.L.C. (2)	—	(940)
Amortization of purchase discount(1)	(1,787)	(1,073)
Amortization of deferred financing costs(1)	2,180	1,029
Non-cash investment income(1)	(4,374)	(1,029)
(Increase) decrease in operating assets:		
Cash and cash equivalents from New Mountain Finance Holdings, L.L.C.(3)	—	957
Restricted cash and cash equivalents(1)	—	(1,784)
Purchase of investments and delayed draw facilities(1)	(397,745)	(325,038)
Proceeds from sales and paydowns of investments(1)	344,753	159,792
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities(1)	157	29
Cash paid for purchase of drawn portion of revolving credit facilities(1)	(3,227)	(2,548)
Cash paid on drawn revolvers(1)	(1,160)	—
Cash repayments on drawn revolvers(1)	4,299	380
Interest and dividend receivable(1)	(4,156)	(1,934)
Receivable from unsettled securities sold(1)	4,243	—
Receivable from affiliates(1)	119	201
Other assets(1)	(329)	(167)
Purchase of investment in New Mountain Finance Holdings, L.L.C.(2)	—	(58,644)
Distributions from New Mountain Finance Holdings, L.L.C.(2)	—	15,247
Increase (decrease) in operating liabilities:		
Management fee payable(1)	(8)	(1,034)
Incentive fee payable(1)	231	(1,805)
Interest payable(1)	1,367	2,690
Payable for unsettled securities purchased(1)	(24,032)	15,816
Deferred tax liability(1)	1,217	271
Payable to affiliates(1)	(688)	21
Capital gains incentive fee payable(1)	—	(1,904)
Other liabilities(1)	(735)	1,859
Net cash flows used in operating activities	(20,918)	(167,662)
Cash flows from financing activities		
Net proceeds from shares sold	79,415	58,644
Dividends paid	(55,585)	(54,279)
Offering costs paid(1)	(141)	(264)
Proceeds from Holdings Credit Facility(1)	246,330	247,830
Repayment of Holdings Credit Facility(1)	(328,900)	(188,100)
Proceeds from Convertible Notes(1)	—	115,000
Proceeds from SBA-guaranteed debentures(1)	66,295	—
Proceeds from NMFC Credit Facility(1)	101,300	22,000
Repayment of NMFC Credit Facility(1)	(83,800)	—
Proceeds from SLF Credit Facility	—	19,867
Repayment of SLF Credit Facility	—	(30,000)
Deferred financing costs paid(1)	(2,829)	(5,179)
Net cash flows provided by financing activities	22,085	185,519
Net increase in cash and cash equivalents	1,167	17,857
Cash and cash equivalents at the beginning of the period	23,445	—
Cash and cash equivalents at the end of the period	$ 24,612	$ 17,857
Supplemental disclosure of cash flow information		
Cash interest paid	$ 12,764	$ 3,866
Income taxes paid	151	—

Non-cash operating activities:				
Non-cash activity on investments	$	60,652	$	—
Non-cash financing activities:				
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	$	—	$	38,840
Value of shares issued in connection with dividend reinvestment plan		3,655		3,641
Accrual for offering costs(1)		739		729
Accrual for deferred financing costs(1)		103		576
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.(2)		—		(250)

(1) For the nine months ended September 30, 2014, the amounts reported relate to the period from May 8, 2014 to September 30, 2014.

(2) For the nine months ended September 30, 2014, the amounts reported relate to the period from January 1, 2014 to May 7, 2014.

(3) Represents the cash and cash equivalent balance of New Mountain Finance Holdings, L.L.C.'s at the date of restructuring. See Note 1, *Formation and Business Purpose*.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity 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% (Base Rate + 7.00%)	9/23/2019	$ 11,689	$ 11,634	$ 11,733	1.34 %
Total Funded Debt Investments - Australia				**$ 11,689**	**$ 11,634**	**$ 11,733**	**1.34 %**
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 24,630	$ 24,333	$ 22,044	
	Second lien (3)	10.50% (Base Rate + 9.25%)	7/30/2020	8,204	8,323	7,342	
				32,834	32,656	29,386	3.34 %
Total Funded Debt Investments - Luxembourg				**$ 32,834**	**$ 32,656**	**$ 29,386**	**3.34 %**
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (Base Rate + 9.13%)	2/17/2023	$ 10,000	$ 9,286	$ 9,050	1.03 %
Total Funded Debt Investments - Netherlands				**$ 10,000**	**$ 9,286**	**$ 9,050**	**1.03 %**
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (Base Rate + 9.50%)	1/31/2023	$ 32,500	$ 31,718	$ 31,525	3.59 %
Total Funded Debt Investments - United Kingdom				**$ 32,500**	**$ 31,718**	**$ 31,525**	**3.59 %**
Funded Debt Investments - United States							
TIBCO Software Inc.							
Software	First lien (2)	6.50% (Base Rate + 5.50%)	12/4/2020	$ 29,850	$ 28,525	$ 29,794	
	Subordinated (3)	11.38%	12/1/2021	15,000	14,600	15,019	
				44,850	43,125	44,813	5.10 %
Deltek, Inc.							
Software	Second lien (3)	9.50% (Base Rate + 8.50%)	6/26/2023	21,000	20,967	21,114	
	Second lien (2)	9.50% (Base Rate + 8.50%)	6/26/2023	20,000	19,615	20,108	
				41,000	40,582	41,222	4.69 %
Kronos Incorporated							
Software	Second lien (2)	9.75% (Base Rate + 8.50%)	4/30/2020	32,641	32,434	33,518	
	Second lien (3)	9.75% (Base Rate + 8.50%)	4/30/2020	5,000	4,959	5,134	
				37,641	37,393	38,652	4.40 %
Tolt Solutions, Inc. (15)							
Business Services	First lien (2)	7.00% (Base Rate + 6.00%)	3/7/2019	18,255	18,255	18,255	
	First lien (2)	12.00% (Base Rate + 11.00%)	3/7/2019	18,800	18,800	18,800	
				37,055	37,055	37,055	4.22 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (Base Rate + 6.75%)	9/28/2020	34,650	34,351	34,433	3.92 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (Base Rate + 6.50%)	12/19/2020	33,474	33,232	33,390	3.80 %
SRA International, Inc.							
Federal Services	First lien (2)	6.50% (Base Rate + 5.25%)	7/20/2018	31,765	31,196	31,884	3.63 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TASC, Inc.							
Federal Services	First lien (2)	7.00% (Base Rate + 6.00%)	5/22/2020	$ 29,323	$ 28,983	$ 29,433	
	Second lien (3)	12.00%	5/21/2021	2,000	1,963	2,070	
				31,323	30,946	31,503	3.59 %
Navex Global, Inc.							
Software	First lien (4)	5.75% (Base Rate + 4.75%)	11/19/2021	10,468	10,373	10,363	
	First lien (2)	5.75% (Base Rate + 4.75%)	11/19/2021	4,420	4,380	4,376	
	Second lien (4)	9.75% (Base Rate + 8.75%)	11/18/2022	11,953	11,842	11,774	
	Second lien (3)	9.75% (Base Rate + 8.75%)	11/18/2022	5,047	5,000	4,971	
				31,888	31,595	31,484	3.58 %
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,774	30,901	3.52 %
Physio-Control International, Inc.							
Healthcare Products	Second lien (2)	10.00% (Base Rate + 9.00%)	6/5/2023	30,000	29,415	29,962	3.41 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (Base Rate + 7.00%)	9/24/2021	30,000	29,626	29,625	3.37 %
Aderant North America, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	6/20/2019	24,000	23,785	23,970	
	Second lien (3)	10.00% (Base Rate + 8.75%)	6/20/2019	5,000	5,074	4,994	
				29,000	28,859	28,964	3.30 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (Base Rate + 8.50%)	11/30/2020	29,000	28,892	28,782	3.27 %
CompassLearning, Inc. (14)							
Education	First lien (2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,494	28,528	3.25 %
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (Base Rate + 8.75%)	10/9/2019	28,300	27,957	27,451	3.12 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (Base Rate + 5.75%)	8/7/2020	27,650	27,245	27,408	3.12 %
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)(9)	9.75%	4/1/2021	24,500	24,374	26,889	3.06 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (Base Rate + 6.50%)	11/13/2017	26,743	26,463	26,609	3.03 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (Base Rate + 8.25%)	4/9/2021	15,500	15,522	15,423	
	Second lien (2)	9.25% (Base Rate + 8.25%)	4/9/2021	10,000	10,117	9,950	
				25,500	25,639	25,373	2.89 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (Base Rate + 7.25%)	9/30/2020	25,000	24,625	24,625	2.80 %
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (Base Rate + 9.00%)	5/8/2019	18,886	18,788	18,791	
	Second lien (3)	10.25% (Base Rate + 9.00%)	5/8/2019	5,571	5,648	5,543	
				24,457	24,436	24,334	2.77 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	9.75% (Base Rate + 8.75%)	6/17/2021	24,000	23,782	23,760	2.70 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (Base Rate + 8.50%)	4/14/2022	20,000	19,879	19,700	
	Second lien (3)	9.50% (Base Rate + 8.50%)	4/14/2022	2,550	2,557	2,512	
				22,550	22,436	22,212	2.53 %

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

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
McGraw-Hill School Education Holdings, LLC							
Education	First lien (2)	6.25% (Base Rate + 5.00%)	12/18/2019	$ 21,615	$ 21,455	$ 21,683	2.47 %
YP Holdings LLC / Print Media Holdings LLC (10):							
YP LLC / Print Media LLC							
Media	First lien (2)	8.00% (Base Rate + 6.75%)	6/4/2018	21,374	21,197	21,214	2.41 %
EN Engineering, LLC							
Business Services	First lien (2)	7.00% (Base Rate + 6.00%)	6/30/2021	21,375	21,166	21,161	2.41 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00%	7/3/2019	20,000	20,000	20,014	2.28 %
TWDiamondback Holdings Corp. (18):							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (Base Rate + 8.75%)	11/19/2019	19,895	19,895	19,895	2.26 %
American Pacific Corporation							
Specialty Chemicals and Materials	First lien (2)	7.00% (Base Rate + 6.00%)	2/27/2019	19,700	19,594	19,733	2.25 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.00% (Base Rate + 6.00%)	4/20/2021	19,551	19,366	19,499	
	First lien (3)(11) - Drawn	7.00% (Base Rate + 6.00%)	4/20/2021	90	90	90	
				19,641	19,456	19,589	2.23 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (Base Rate + 9.50%)	4/12/2019	18,643	18,409	18,550	2.11 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%	12/15/2018	25,000	25,000	16,500	
	First lien (3)	12.25%	12/15/2018	2,660	2,029	1,755	
				27,660	27,029	18,255	2.08 %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (Base Rate + 7.25%)	8/4/2022	18,000	17,823	17,820	2.03 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (Base Rate + 5.25%)	7/2/2021	17,855	17,683	17,677	2.01 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (Base Rate + 8.25%)	7/23/2020	18,500	18,344	17,566	2.00 %
Vertafore, Inc.							
Software	Second lien (2)	9.75% (Base Rate + 8.25%)	10/27/2017	13,855	13,849	13,962	
	Second lien (3)	9.75% (Base Rate + 8.25%)	10/27/2017	2,000	2,016	2,016	
				15,855	15,865	15,978	1.82 %
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (2)	6.75% (Base Rate + 5.00%)	12/14/2016	15,512	15,170	15,201	1.73 %
Severin Acquisition, LLC							
Software	Second lien (4)	9.25% (Base Rate + 8.25%)	7/29/2022	15,000	14,853	14,850	1.69 %
GSDM Holdings Corp.							
Healthcare Services	Subordinated (4)	10.00%	6/23/2020	15,000	14,875	14,643	1.67 %
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,975	14,000	1.59 %
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%	1/15/2018	24,357	24,509	13,640	1.55 %

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

(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TW-NHME Holdings Corp. (23):							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (Base Rate + 9.25%)	7/14/2022	$ 14,000	$ 13,829	$ 13,472	1.53 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (Base Rate + 8.75%)	12/30/2021	13,500	13,369	13,155	1.50 %
Poseidon Intermediate, LLC							
Software	Second lien (2)	9.50% (Base Rate + 8.50%)	8/15/2023	13,000	12,807	12,805	1.46 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%	3/1/2022	10,000	10,000	10,250	1.17 %
PowerPlan Holdings, Inc.							
Software	Second lien (2)	10.75% (Base Rate + 9.75%)	2/23/2023	10,000	9,905	9,970	1.13 %
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien (2)	7.50% (Base Rate + 6.25%)	7/7/2020	9,788	9,577	9,201	1.05 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,862	8,910	1.01 %
Vitera Healthcare Solutions, LLC							
Software	First lien (2)	6.00% (Base Rate + 5.00%)	11/4/2020	1,965	1,950	1,951	
	Second lien (2)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,914	6,825	
				8,965	8,864	8,776	1.00 %
Smile Brands Group Inc.							
Healthcare Services	First lien (2)	8.50% (Base Rate + 5.25%)	8/16/2019	12,220	12,100	8,625	0.98 %
QC McKissock Investment, LLC (17):							
McKissock, LLC							
Education	First lien (2)	7.50% (Base Rate + 6.50%)	8/5/2019	4,887	4,848	4,747	
	First lien (2)	7.50% (Base Rate + 6.50%)	8/5/2019	3,155	3,130	3,065	
	First lien (2)(11) - Drawn	7.50% (Base Rate + 6.50%)	8/5/2019	576	571	559	
				8,618	8,549	8,371	0.95 %
TTM Technologies, Inc.**							
Business Products	First lien (2)	6.00% (Base Rate + 5.00%)	5/31/2021	8,000	7,733	7,480	0.85 %
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (Base Rate + 8.25%)	3/16/2018	7,000	6,948	6,528	0.74 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (Base Rate + 7.50%)	4/21/2017	6,884	6,847	6,368	0.72 %
Immucor, Inc.							
Healthcare Services	Subordinated (2)(9)	11.13%	8/15/2019	5,000	4,960	5,175	0.59 %
Packaging Coordinators, Inc. (12)							
Healthcare Products	Second lien (3)	9.00% (Base Rate + 8.00%)	8/1/2022	5,000	4,955	4,925	0.56 %
GCA Services Group, Inc.							
Business Services	Second lien (3)	9.25% (Base Rate + 8.00%)	11/2/2020	4,000	3,971	3,980	0.45 %
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated (3)	9.63%	12/1/2018	3,500	3,502	3,583	0.41 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%	10/1/2022	3,000	3,000	2,561	0.29 %
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (3)	9.25% (Base Rate + 8.25%)	3/10/2022	2,500	2,479	2,325	0.27 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%	9/30/2023	2,000	1,932	1,943	0.22 %

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation (22):							
Education Management II LLC							
Education	First lien (2)	5.50% (Base Rate + 4.50%)	7/2/2020	$ 250	$ 237	$ 171	
	First lien (3)	5.50% (Base Rate + 4.50%)	7/2/2020	141	134	97	
	First lien (2)	8.50% (Base Rate + 1.00% + 6.50% PIK)*	7/2/2020	430	365	247	
	First lien (3)	8.50% (Base Rate + 1.00% + 6.50% PIK)*	7/2/2020	243	206	139	
				1,064	942	654	0.07 %
ATI Acquisition Company (fka Ability Acquisition, Inc.) (13)							
Education	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (8)*	6/30/2012 - Past Due	1,665	1,434	—	
	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (8)*	6/30/2012 - Past Due	103	94	—	
				1,768	1,528	—	— %
Total Funded Debt Investments - United States				**$ 1,234,010**	**$ 1,221,449**	**$ 1,200,385**	**136.61 %**
Total Funded Debt Investments				**$ 1,321,033**	**$ 1,306,743**	**$ 1,282,079**	**145.91 %**
Equity - United Kingdom							
Packaging Coordinators, Inc. (12):							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares (2)	—	—	19,427	$ 578	$ 1,175	0.13 %
Total Shares - United Kingdom					**$ 578**	**$ 1,175**	**0.13 %**
Equity - United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares (3)(20)	12.00% (10.00% + 2.00% PIK)*	—	51,799	$ 51,259	$ 51,645	5.88 %
TWDiamondback Holdings Corp. (18)							
Distribution & Logistics	Preferred shares (4)	—	—	200	2,000	2,000	0.23 %
TW-NHME Holdings Corp. (23)							
Healthcare Services	Preferred shares (4)	—	—	100	1,000	881	0.10 %
Education Management Corporation (22)							
Education	Preferred shares (2)	—	—	3,331	200	80	
	Preferred shares (3)	—	—	1,879	113	45	
	Ordinary shares (2)	—	—	2,994,065	100	182	
	Ordinary shares (3)	—	—	1,688,976	56	102	
					469	409	0.05 %
Ancora Acquisition LLC (13)							
Education	Preferred shares (6)	—	—	372	83	393	0.04 %
Total Shares - United States					**$ 54,811**	**$ 55,328**	**6.30 %**
Total Shares					**$ 55,389**	**$ 56,503**	**6.43 %**
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (10):							
YP Equity Investors, LLC							
Media	Warrants (5)	—	—	5	$ —	$ 5,304	0.60 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	—	622	37	251	0.03 %
Ancora Acquisition LLC (13)							
Education	Warrants (6)	—	—	20	—	—	— %
Total Warrants - United States					**$ 37**	**$ 5,555**	**0.63 %**

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Total Funded Investments					**$ 1,362,169**	**$ 1,344,137**	**152.97 %**
Unfunded Debt Investments - United States							
TWDiamondback Holdings Corp. (18):							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (3)(11) - Undrawn	—	2/16/2016	$ 2,158	$ —	$ —	
	First lien (4)(11) - Undrawn	—	2/16/2016	605	—	—	
				2,763	—	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	(10)	— %
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	2,610	(27)	(7)	
	First lien (4)(11) - Undrawn	—	5/12/2017	2,700	(27)	(7)	
				5,310	(54)	(14)	— %
DCA Investment Holding, LLC							
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	2,100	(21)	(21)	— %
EN Engineering, LLC							
Business Services	First lien (2)(11) - Undrawn	—	12/30/2016	3,571	(18)	(36)	— %
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	4,500	(56)	(56)	(0.01)%
QC McKissock Investment, LLC (17):							
McKissock, LLC							
Education	First lien (2)(11) - Undrawn	—	12/31/2015	2,304	(23)	(67)	(0.01)%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (3)(11) - Undrawn	—	12/14/2016	1,900	(181)	(72)	(0.01)%
Total Unfunded Debt Investments				**$ 23,448**	**$ (363)**	**$ (276)**	**(0.03)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,361,806**	**$ 1,343,861**	**152.94 %**
Non-Controlled/Affiliated Investments(24)							
Funded Debt Investments - United States							
Tenawa Resource Holdings LLC (16):							
Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base Rate + 8.00%)	5/12/2019	$ 40,000	$ 39,861	$ 39,253	4.47 %
Edmentum Ultimate Holdings, LLC (19)							
Education	Subordinated (3)	8.50% PIK*	6/9/2020	3,705	3,697	3,705	
	Subordinated (2)	10.00% PIK*	6/9/2020	13,373	13,373	10,939	
	Subordinated (3)	10.00% PIK*	6/9/2020	3,290	3,290	2,691	
				20,368	20,360	17,335	1.97 %
Total Funded Debt Investments - United States				**$ 60,368**	**$ 60,221**	**$ 56,588**	**6.44 %**
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 23,000	$ 22,928	2.61 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Tenawa Resource Holdings LLC (16):							
QID NGL LLC							
Energy	Ordinary shares (7)	—	—	5,290,997	$ 5,291	$ 5,291	0.60 %
Edmentum Ultimate Holdings, LLC (19)							
Education	Ordinary shares (2)	—	—	107,143	9	1,687	
	Ordinary shares (3)	—	—	123,968	11	1,952	
					20	3,639	0.41 %
Total Shares - United States					**$ 28,311**	**$ 31,858**	**3.62 %**
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (19):							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	$ 4,881	$ —	$ —	— %
Total Unfunded Debt Investments				**$ 4,881**	**$ —**	**$ —**	**— %**
Total Non-Controlled/Affiliated Investments					**$ 88,532**	**$ 88,446**	**10.06 %**
Controlled Investments(25)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	8.50% (Base Rate + 7.50%)	1/13/2019	$ 6,786	$ 6,786	$ 6,733	
	First lien (3)	8.50% (Base Rate + 7.50%)	1/13/2019	4,060	4,060	4,028	
	First lien (3)	9.50% (Base Rate + 7.50% + 1.00% PIK)*	1/13/2019	7,986	7,986	7,953	
	Subordinated (2)	15.00% PIK*	7/13/2019	1,429	1,429	1,419	
	Subordinated (3)	15.00% PIK*	7/13/2019	855	855	849	
				21,116	21,116	20,982	2.39 %
Total Funded Debt Investments - United States				**$ 21,116**	**$ 21,116**	**$ 20,982**	**2.39 %**
Equity - United States							
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(21)	—	—	16,135,465	$ 13,755	$ 13,757	
	Preferred shares (3)(21)	—	—	4,459,075	3,801	3,802	
	Ordinary shares (2)	—	—	2,096,477	1,925	5,597	
	Ordinary shares (3)	—	—	579,366	532	1,547	
					20,013	24,703	2.81 %
Total Shares - United States					**$ 20,013**	**$ 24,703**	**2.81 %**
Total Funded Investments					**$ 41,129**	**$ 45,685**	**5.20 %**
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	$ 2,048	$ —	$ (9)	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	(3)	
				2,806	—	(12)	— %
Total Unfunded Debt Investments				**$ 2,806**	**$ —**	**$ (12)**	**— %**
Total Controlled Investments					**$ 41,129**	**$ 45,673**	**5.20 %**
Total Investments					**$ 1,491,467**	**$ 1,477,980**	**168.20 %**

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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 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, 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) Securities are registered under the Securities Act.

(10) 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.

(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 Packaging Coordinators, Inc. and one related entity of Packaging Coordinators, Inc. The Company has a debt investment in Packaging Coordinators, Inc. and holds ordinary equity in PCI Pharma Holdings UK Limited, a wholly-owned subsidiary of Packaging Coordinators, Inc.

(13) The Company holds investments in ATI Acquisition Company and Ancora Acquisition LLC. The Company has debt investments in ATI Acquisition Company and preferred equity and warrants to purchase units of common membership interests of Ancora Acquisition LLC. The Company received its investments in Ancora Acquisition LLC as a result of its investments in ATI Acquisition Company.

(14) The Company holds an investment in CompassLearning, Inc. that is structured as a first lien last out term loan.

(15) The Company holds two first lien investments in Tolt Solutions, Inc. The debt investment with an interest rate of a base rate + 6.00% is structured as a first lien first out debt investment. The debt investment with an interest rate of a base rate + 11.00% is structured as a first lien last out debt investment.

(16) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 5.25% 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.

(17) 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.

(18) 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.

(19) 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.

(20) Total shares reported assumes shares issued for the capitalization of PIK interest. Actual shares owned total 50,000 as of September 30, 2015.

(21) 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.

(22) 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.

(in thousands, except shares)

(23) The Company holds an equity investment in TW-NHME Holdings Corp., as well as a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.

(24) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended, 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, 2014 and September 30, 2015 along with transactions during the nine months ended September 30, 2015 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (cost)(A)	Gross Redemptions (cost)(B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at September 30, 2015	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	$ —	$ 23,430	$ (3,050)	$ —	$ 594	$ 20,974	$ 656	$ —	$ —
NMFC Senior Loan Program I LLC	22,461	—	—	—	467	22,928	—	2,701	905
Tenawa Resource Holdings LLC	—	44,564	—	—	(20)	44,544	3,164	—	737
Total Non-Controlled/Affiliated Investments	**$ 22,461**	**$ 67,994**	**$ (3,050)**	**$ —**	**$ 1,041**	**$ 88,446**	**$ 3,820**	**$ 2,701**	**$ 1,642**

(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 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.

(25) Denotes investments in which the Company is in "Control", as defined in the Investment Company Act of 1940, as amended, 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, 2014 and September 30, 2015 along with transactions during the nine months ended September 30, 2015 in which the issuer was a controlled investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (cost)(A)	Gross Redemptions (cost)(B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at September 30, 2015	Interest Income	Dividend Income	Other Income
UniTek Global Services, Inc.	$ —	$ 41,964	$ (835)	$ —	$ 4,544	$ 45,673	$ 1,487	$ 1,864	$ 36
Total Controlled Investments	**$ —**	**$ 41,964**	**$ (835)**	**$ —**	**$ 4,544**	**$ 45,673**	**$ 1,487**	**$ 1,864**	**$ 36**

(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 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.

* 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 Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of September 30, 2015, 7.2% of the Company's total assets were non-qualifying assets.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
September 30, 2015
(in thousands, except shares)
(unaudited)

Investment Type	September 30, 2015 Percent of Total Investments at Fair Value
First lien	46.84%
Second lien	38.85%
Subordinated	6.28%
Equity and other	8.03%
Total investments	100.00%

Industry Type	September 30, 2015 Percent of Total Investments at Fair Value
Software	26.10%
Business Services	20.47%
Education	10.93%
Federal Services	8.78%
Distribution & Logistics	8.13%
Energy	5.17%
Consumer Services	4.58%
Healthcare Services	4.25%
Media	3.61%
Healthcare Products	2.44%
Business Products	2.22%
Investment Fund	1.55%
Specialty Chemicals and Materials	1.33%
Industrial Services	0.44%
Total investments	100.00%

Interest Rate Type	September 30, 2015 Percent of Total Investments at Fair Value
Floating rates	84.92%
Fixed rates	15.08%
Total investments	100.00%

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

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity 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% (Base Rate + 7.00%)	9/23/2019	$ 17,689	$ 17,594	$ 17,888	2.23 %
Total Funded Debt Investments - Australia				**$ 17,689**	**$ 17,594**	**$ 17,888**	**2.23 %**
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 24,630	$ 24,319	$ 22,905	
	Second lien (3)	10.50% (Base Rate + 9.25%)	7/30/2020	8,204	8,317	7,629	
				32,834	32,636	30,534	3.80 %
Evergreen Skills Lux S.À R.L.**							
Education	Second lien (3)	9.25% (Base Rate + 8.25%)	4/28/2022	5,000	4,877	4,737	0.59 %
Total Funded Debt Investments - Luxembourg				**$ 37,834**	**$ 37,513**	**$ 35,271**	**4.39 %**
Funded Debt Investments - United States							
Ascend Learning, LLC							
Education	First lien (2)	6.00% (Base Rate + 5.00%)	7/31/2019	$ 14,888	$ 14,824	$ 14,813	
	Second lien (3)	9.50% (Base Rate + 8.50%)	11/30/2020	29,000	28,881	28,855	
				43,888	43,705	43,668	5.44 %
TIBCO Software Inc.**							
Software	First lien (2)	6.50% (Base Rate + 5.50%)	12/4/2020	30,000	28,512	29,100	
	Subordinated (3)	11.38%	12/1/2021	15,000	14,567	14,550	
				45,000	43,079	43,650	5.44 %
Global Knowledge Training LLC							
Education	Second lien (2)	12.00% (Base Rate + 8.75%)	10/21/2018	41,450	41,137	41,786	5.21 %
Deltek, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	10/10/2019	40,000	39,989	40,300	
	Second lien (3)	10.00% (Base Rate + 8.75%)	10/10/2019	1,000	990	1,008	
				41,000	40,979	41,308	5.15 %
Tenawa Resource Holdings LLC (16)							
Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base Rate + 8.00%)	5/12/2019	40,000	39,838	39,820	4.96 %
Kronos Incorporated							
Software	Second lien (2)	9.75% (Base Rate + 8.50%)	4/30/2020	32,641	32,407	33,355	
	Second lien (3)	9.75% (Base Rate + 8.50%)	4/30/2020	5,000	4,955	5,109	
				37,641	37,362	38,464	4.80 %
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)(9)	9.75%	4/1/2021	24,500	24,362	27,195	
	First lien (2)	5.75% (Base Rate + 4.75%)	3/22/2019	9,863	9,641	9,830	
				34,363	34,003	37,025	4.62 %
Tolt Solutions, Inc. (15)							
Business Services	First lien (2)	7.00% (Base Rate + 6.00%)	3/7/2019	18,537	18,538	18,075	
	First lien (2)	12.00% (Base Rate + 11.00%)	3/7/2019	18,800	18,800	18,540	
				37,337	37,338	36,615	4.56 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Acrisure, LLC							
Business Services	Second lien (2)	11.50% (Base Rate + 10.50%)	3/31/2020	$ 35,175	$ 34,848	$ 35,471	4.42 %
UniTek Global Services, Inc.							
Business Services	First lien (2)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	20,596	20,104	14,706	
	First lien (3)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	7,772	7,552	5,550	
	First lien (2)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	6,271	6,116	4,478	
	First lien (3)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	597	580	426	
	First lien (2)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	5,213	5,083	3,722	
	First lien (3)	15.00% PIK (Base Rate + 13.50% PIK) (7)*	4/15/2018	496	482	354	
	First lien (3)(11) - Drawn	9.50% (Base Rate + 7.50% + 1.00% PIK)*	1/21/2015	3,381	3,381	3,381	
	First lien (3)(11) - Drawn	10.25% (Base Rate + 4.00% + 5.25% PIK)*	4/15/2016	2,610	2,610	2,610	
				46,936	45,908	35,227	4.39 %
Envision Acquisition Company, LLC							
Healthcare Services	Second lien (2)	9.75% (Base Rate + 8.75%)	11/4/2021	26,000	25,603	25,772	
	Second lien (3)	9.75% (Base Rate + 8.75%)	11/4/2021	9,250	9,305	9,169	
				35,250	34,908	34,941	4.37 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (Base Rate + 6.75%)	9/26/2020	34,913	34,574	34,215	4.27 %
Meritas Schools Holdings, LLC							
Education	First lien (2)	7.00% (Base Rate + 5.75%)	6/25/2019	21,658	21,487	21,549	
	Second lien (2)	10.00% (Base Rate + 9.00%)	1/23/2021	12,000	11,943	11,820	
				33,658	33,430	33,369	4.16 %
TASC, Inc.							
Federal Services	First lien (2)	6.50% (Base Rate + 5.50%)	5/22/2020	30,860	30,454	30,108	
	Second lien (3)	12.00%	5/21/2021	2,000	1,960	1,960	
				32,860	32,414	32,068	4.00 %
SRA International, Inc.							
Federal Services	First lien (2)	6.50% (Base Rate + 5.25%)	7/20/2018	31,765	31,059	31,805	3.96 %
Navex Global, Inc.							
Software	First lien (4)	5.75% (Base Rate + 4.75%)	11/19/2021	10,547	10,442	10,441	
	First lien (2)	5.75% (Base Rate + 4.75%)	11/19/2021	4,453	4,409	4,409	
	Second lien (4)	9.75% (Base Rate + 8.75%)	11/18/2022	11,953	11,834	11,775	
	Second lien (3)	9.75% (Base Rate + 8.75%)	11/18/2022	5,047	4,997	4,970	
				32,000	31,682	31,595	3.94 %
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,756	30,875	3.85 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (Base Rate + 6.50%)	11/13/2017	29,342	28,937	29,359	3.66 %
CompassLearning, Inc. (14)							
Education	First lien (2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,391	29,184	3.64 %
Aderant North America, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	6/20/2019	24,000	23,767	23,940	
	Second lien (3)	10.00% (Base Rate + 8.75%)	6/20/2019	5,000	5,070	4,988	
				29,000	28,837	28,928	3.61 %

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (Base Rate + 8.75%)	10/9/2019	$ 28,300	$ 27,906	$ 27,946	3.48 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (Base Rate + 8.25%)	4/9/2021	15,500	15,531	15,306	
	Second lien (2)	9.25% (Base Rate + 8.25%)	4/9/2021	10,000	10,123	9,875	
				25,500	25,654	25,181	3.14 %
YP Holdings LLC (10)							
YP LLC							
Media	First lien (2)	8.00% (Base Rate + 6.75%)	6/4/2018	24,936	24,678	25,029	3.12 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (Base Rate + 6.50%)	12/19/2020	25,000	24,750	24,750	3.09 %
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (Base Rate + 9.00%)	5/8/2019	18,886	18,786	18,877	
	Second lien (3)	10.25% (Base Rate + 9.00%)	5/8/2019	5,571	5,647	5,569	
				24,457	24,433	24,446	3.05 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	9.75% (Base Rate + 8.75%)	6/17/2021	24,000	23,761	23,760	2.96 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%	12/15/2018	25,000	25,000	23,250	2.90 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (Base Rate + 8.50%)	4/14/2022	20,000	19,871	20,162	
	Second lien (3)	9.50% (Base Rate + 8.50%)	4/14/2022	2,550	2,556	2,571	
				22,550	22,427	22,733	2.83 %
McGraw-Hill School Education Holdings, LLC							
Education	First lien (2)	6.25% (Base Rate + 5.00%)	12/18/2019	21,780	21,594	21,771	2.71 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00% (11.50% + 4.50% PIK)*	7/3/2019	20,458	20,458	20,828	2.60 %
Aspen Dental Management, Inc.							
Healthcare Services	First lien (2)	7.00% (Base Rate + 5.50%)	10/6/2016	20,862	20,697	20,732	2.58 %
TWDiamondback Holdings Corp. (18)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (Base Rate + 8.75%)	11/19/2019	19,895	19,895	19,895	2.48 %
American Pacific Corporation**							
Specialty Chemicals and Materials	First lien (2)	7.00% (Base Rate + 6.00%)	2/27/2019	19,850	19,722	19,825	2.47 %
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien (2)	7.50% (Base Rate + 6.25%)	7/7/2020	19,950	19,592	19,152	2.39 %
eResearchTechnology, Inc.							
Healthcare Services	First lien (2)	6.00% (Base Rate + 4.75%)	5/2/2018	19,059	18,521	19,083	2.38 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (Base Rate + 9.50%)	4/12/2019	18,643	18,369	18,457	2.30 %
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%	1/15/2018	24,357	24,555	18,390	2.29 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (Base Rate + 8.25%)	7/23/2020	18,500	18,326	17,814	2.22 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Vertafore, Inc.							
Software	Second lien (2)	9.75% (Base Rate + 8.25%)	10/27/2017	$ 13,855	$ 13,852	$ 13,959	
	Second lien (3)	9.75% (Base Rate + 8.25%)	10/27/2017	2,000	2,017	2,015	
				15,855	15,869	15,974	1.99 %
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (2)	6.75% (Base Rate + 4.99%)	12/14/2016	16,778	16,190	15,771	1.97 %
Edmentum, Inc.(fka Plato, Inc.)							
Education	Second lien (2)	11.25% (Base Rate + 9.75%)	5/17/2019	25,000	24,713	12,500	
	Second lien (3)	11.25% (Base Rate + 9.75%)	5/17/2019	6,150	6,040	3,075	
				31,150	30,753	15,575	1.94 %
GSDM Holdings Corp.							
Healthcare Services	Subordinated (4)	10.00%	6/23/2020	15,000	14,860	14,642	1.83 %
Smile Brands Group Inc.							
Healthcare Services	First lien (2)	7.50% (Base Rate + 6.25%)	8/16/2019	14,319	14,154	13,746	1.71 %
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,966	13,580	1.69 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,843	8,910	1.11 %
Vitera Healthcare Solutions, LLC							
Software	First lien (2)	6.00% (Base Rate + 5.00%)	11/4/2020	1,980	1,964	1,970	
	Second lien (2)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,906	6,825	
				8,980	8,870	8,795	1.10 %
McKissock, LLC							
QC McKissock Investment, LLC							
Education	First lien (2)	7.50% (Base Rate + 6.50%)	8/5/2019	4,923	4,877	4,844	
	First lien (2)	7.50% (Base Rate + 6.50%)	8/5/2019	3,178	3,149	3,127	
	First lien (2)(11) - Drawn	7.50% (Base Rate + 6.50%)	8/5/2019	576	570	567	
				8,677	8,596	8,538	1.06 %
Asurion, LLC (fka Asurion Corporation)							
Business Services	Second lien (3)	8.50% (Base Rate + 7.50%)	3/3/2021	5,000	4,934	4,987	
	Second lien (2)	8.50% (Base Rate + 7.50%)	3/3/2021	3,000	2,957	2,993	
				8,000	7,891	7,980	0.99 %
Physio-Control International, Inc.							
Healthcare Products	First lien (2)	9.88%	1/15/2019	6,651	6,651	7,083	0.88 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (Base Rate + 7.50%)	4/21/2017	7,445	7,387	6,626	0.83 %
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (Base Rate + 8.25%)	3/16/2018	7,000	6,934	5,548	0.69 %
Immucor, Inc.							
Healthcare Services	Subordinated (2)(9)	11.13%	8/15/2019	5,000	4,957	5,425	0.68 %
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien (2)	7.25% (Base Rate + 5.50%)	12/22/2016	5,963	5,931	4,979	0.62 %
Packaging Coordinators, Inc. (12)							
Healthcare Products	Second lien (3)	9.00% (Base Rate + 8.00%)	8/1/2022	5,000	4,952	4,925	0.61 %
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien (2)	8.25% (Base Rate + 7.25%)	1/25/2021	5,000	4,940	4,867	0.61 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Learning Care Group (US) Inc. (17)							
Learning Care Group (US) No. 2 Inc.							
Education	First lien (2)	5.50% (Base Rate + 4.50%)	5/5/2021	$ 4,465	$ 4,424	$ 4,476	0.56 %
CRC Health Corporation							
Healthcare Services	Second lien (3)	9.00% (Base Rate + 8.00%)	9/28/2021	4,000	3,925	4,098	0.51 %
GCA Services Group, Inc.							
Business Services	Second lien (3)	9.25% (Base Rate + 8.00%)	11/1/2020	4,000	3,968	3,955	0.49 %
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated (3)	9.63%	12/1/2018	3,500	3,502	3,531	0.44 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%	10/1/2022	3,000	3,000	3,011	0.38 %
Winebow Holdings, Inc. (Vinter Group, Inc., The)							
Distribution & Logistics	Second lien (3)	8.50% (Base Rate + 7.50%)	1/2/2022	3,000	2,979	2,910	0.36 %
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (3)	9.25% (Base Rate + 8.25%)	3/10/2022	2,500	2,477	2,250	0.28 %
Education Management LLC**							
Education	First lien (2)	9.25% PIK (Base Rate + 8.00% PIK)*	3/30/2018	1,944	1,902	880	
	First lien (3)	9.25% PIK (Base Rate + 8.00% PIK)*	3/30/2018	1,097	1,085	496	
				3,041	2,987	1,376	0.17 %
ATI Acquisition Company (fka Ability Acquisition, Inc.) (13)							
Education	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (7)*	6/30/2012 - Past Due	1,665	1,434	216	
	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (7)*	6/30/2012 - Past Due	103	94	103	
				1,768	1,528	319	0.04 %
Total Funded Debt Investments - United States				**$ 1,338,642**	**$ 1,325,057**	**$ 1,291,305**	**160.98 %**
Total Funded Debt Investments				**$ 1,394,165**	**$ 1,380,164**	**$ 1,344,464**	**167.60 %**
Equity - United Kingdom							
Packaging Coordinators, Inc. (12)							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares (2)	—	—	19,427	$ 580	$ 1,193	0.15 %
Total Shares - United Kingdom					**$ 580**	**$ 1,193**	**0.15 %**
Equity - United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares (3)	12.00% (10.00% + 2.00% PIK)*	—	35,721	$ 35,721	$ 35,721	4.45 %
Global Knowledge Training LLC							
Education	Ordinary shares (2)	—	—	2	—	8	
	Preferred shares (2)	—	—	2,423	—	9,739	
					—	9,747	1.22 %
Tenawa Resource Holdings LLC (16)							
QID NGL LLC							
Energy	Ordinary shares (3)	—	—	3,000,000	3,000	2,430	0.30 %
TWDiamondback Holdings Corp. (18)							
Distribution & Logistics	Preferred shares (4)	—	—	200	2,000	2,000	0.25 %

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares		Cost	Fair Value	Percent of Net Assets
Ancora Acquisition LLC (13)								
Education	Preferred shares (6)	—	—	372		$ 83	$ 83	0.01 %
Total Shares - United States						**$ 40,804**	**$ 49,981**	**6.23 %**
Total Shares						**$ 41,384**	**$ 51,174**	**6.38 %**
Warrants - United States								
Storapod Holding Company, Inc.								
Consumer Services	Warrants (3)	—	—	360,129		$ 156	$ 4,142	0.51 %
YP Holdings LLC (10)								
YP Equity Investors, LLC								
Media	Warrants (5)	—	—	5		—	2,549	0.32 %
Learning Care Group (US) Inc. (17)								
ASP LCG Holdings, Inc.								
Education	Warrants (3)	—	—	622		37	299	0.04 %
UniTek Global Services, Inc.								
Business Services	Warrants (3)	—	—	1,014,451	(8)	1,449	—	— %
Alion Science and Technology Corporation								
Federal Services	Warrants (3)	—	—	6,000		293	—	— %
Ancora Acquisition LLC (13)								
Education	Warrants (6)	—	—	20		—	—	— %
Total Warrants - United States						**$ 1,935**	**$ 6,990**	**0.87 %**
Total Funded Investments						**$ 1,423,483**	**$ 1,402,628**	**174.85 %**
Unfunded Debt Investments - United States								
TWDiamondback Holdings Corp. (18)								
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)								
Distribution & Logistics	First lien (4)(11) - Undrawn	—	5/19/2015	$ 2,763		$ —	$ —	— %
UniTek Global Services, Inc.								
Business Services	First lien (3)(11) - Undrawn	—	1/21/2015	5,425		—	—	
	First lien (3)(11) - Undrawn	—	1/21/2015	2,048		—	—	
	First lien (3)(11) - Undrawn	—	1/21/2015	758		—	—	
						—	—	— %
McKissock, LLC								
Education	First lien (2)(11) - Undrawn	—	8/5/2019	2,304		(23)	(37)	— %
MailSouth, Inc. (d/b/a Mspark)								
Media	First lien (3)(11) - Undrawn	—	12/14/2015	1,900		(181)	(156)	(0.02)%
Aspen Dental Management, Inc.								
Healthcare Services	First lien (3)(11) - Undrawn	—	4/6/2016	5,000		(388)	(225)	(0.03)%
Total Unfunded Debt Investments				**$ 20,198**		**$ (592)**	**$ (418)**	**(0.05)%**
Total Non-Controlled/Non-Affiliated Investments						**$ 1,422,891**	**$ 1,402,210**	**174.80 %**

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Affiliated Investments(19)							
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment in Fund	Membership interest (3)	—	—	—	$ 23,000	$ 22,461	2.80 %
Total Non-Controlled/Affiliated Investments					**$ 23,000**	**$ 22,461**	**2.80 %**
Total Investments					**$ 1,445,891**	**$ 1,424,671**	**177.60 %**

(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 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 and Morgan Stanley, N.A. 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 or a portion of the investment is on non-accrual status. See Note 3*Investments*, for details.

(8) The Company holds 1,014,451 warrants in UniTek Global Services, Inc., which represents a 4.41% equity ownership on a fully diluted basis.

(9) Securities are registered under the Securities Act.

(10) The Company holds investments in two related entities of YP 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, a subsidiary of YP Holdings LLC.

(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 Packaging Coordinators, Inc. and one related entity of Packaging Coordinators, Inc. The Company has a debt investment in Packaging Coordinators, Inc. and holds ordinary equity in PCI Pharma Holdings UK Limited, a wholly-owned subsidiary of Packaging Coordinators, Inc.

(13) The Company holds investments in ATI Acquisition Company and Ancora Acquisition LLC. The Company has debt investments in ATI Acquisition Company and preferred equity and warrants to purchase units of common membership interests of Ancora Acquisition LLC. The Company received its investments in Ancora Acquisition LLC as a result of its investments in ATI Acquisition Company.

(14) The Company holds an investment in CompassLearning, Inc. that is structured as a first lien last out term loan.

(15) The Company holds two first lien investments in Tolt Solutions, Inc. The debt investment with an interest rate at base rate + 6.00% is structured as a first lien first out debt investment. The debt investment with an interest rate at base rate + 11.00% is structured as a first lien last out debt investment.

(16) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.76% 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.

(17) The Company holds investments in two wholly-owned subsidiaries of Learning Care Group (US) Inc. The Company has a debt investment in Learning Care Group (US) No. 2 Inc. and holds warrants to purchase common stock of ASP LCG Holdings, Inc.

(18) 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.

(19) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended, 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.

* All or a portion of interest contains payment-in-kind ("PIK").

** Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company's total assets at the time of acquisition of any additional 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, 2014
(in thousands, except shares)

Investment Type	December 31, 2014 Percent of Total Investments at Fair Value
First lien	47.58 %
Second lien	42.41 %
Subordinated	4.35 %
Equity and other	5.66 %
Total investments	100.00 %

Industry Type	December 31, 2014 Percent of Total Investments at Fair Value
Software	20.16 %
Business Services	18.27 %
Education	17.68 %
Federal Services	8.75 %
Healthcare Services	8.05 %
Distribution & Logistics	6.83 %
Energy	5.89 %
Media	4.29 %
Consumer Services	3.67 %
Business Products	1.77 %
Investment in Fund	1.58 %
Specialty Chemicals and Materials	1.39 %
Healthcare Products	0.93 %
Industrial Services	0.39 %
Healthcare Information Technology	0.35 %
Total investments	100.00 %

Interest Rate Type (1)	December 31, 2014 Percent of Total Investments at Fair Value
Floating rates	87.68 %
Fixed rates	12.32 %
Total investments	100.00 %

(1) The categories in this table have been corrected for a transposition error in the Company's Form 10-K for the year ended December 31, 2014, as filed with the United States Securities and Exchange Commission on March 2, 2015, wherein the categories were inversely reported.

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

September 30, 2015
(in thousands, except share data)
(unaudited)

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. 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").

On May 19, 2011, NMFC priced its initial public offering (the "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 (defined as New Mountain Capital Group, L.L.C. and its affiliates) 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, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMF Holdings is a Delaware limited liability company. Until May 8, 2014, NMF Holdings was externally managed 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 United States ("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. For additional information on the Company's organizational structure prior to May 8, 2014, see "—Restructuring".

Until May 8, 2014, NMF Holdings was externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). As of May 8, 2014, the Investment Adviser serves as the external investment adviser to NMFC. New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries 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. 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".

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. See Note 7, *Borrowings*, for details.

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation ("AIV Holdings") was a Delaware corporation that was originally incorporated on March 11, 2011. AIV Holdings was dissolved on April 25, 2014. 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.

Prior to the Restructuring (as defined below) on 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.

Since NMFC’s IPO, and through September 30, 2015, NMFC raised approximately $454,040 in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $288,416 on behalf of AIV Holdings for exchanged units. 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 a BDC was not in the best interests 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 2014 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.

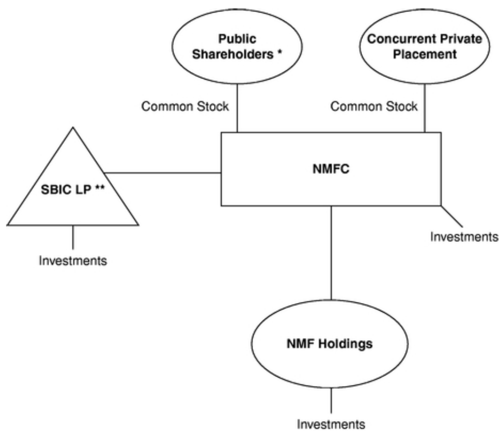
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, 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.

Current Organization

During the nine months ended September 30, 2015, the Company established a wholly-owned subsidiary, NMF QID NGL Holdings, Inc. ("NMF QID"). The Company's wholly-owned subsidiaries, NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID and NMF YP Holdings Inc. ("NMF YP"), 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") that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. ("SBIC LP"), and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC LP received a license from the 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").

The diagram below depicts the Company's organizational structure as of September 30, 2015.



* Includes partners of New Mountain Guardian Partners, L.P.

** NMFC is the sole limited partner of SBIC LP. NMFC, directly or indirectly through SBIC GP, wholly-owns SBIC LP. NMFC owns 100.0% of SBIC GP which owns 1.0% of SBIC LP. NMFC owns 99.0% of SBIC LP.

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. 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 LP's investment objective is to generate current income and capital appreciation under the investment criteria used by the Company, however, SBIC LP's investments must be in SBA eligible companies. The Company's portfolio may be concentrated in a limited number of industries. As of September 30, 2015, the Company's top five industry concentrations were software, business services, education, federal services and distribution & logistics.

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, SBIC LP, SBIC 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 7, *Borrowings*, 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. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Predecessor Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Company's interim consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X. Accordingly, the Company's interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2015.

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:

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 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 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 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.

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 September 30, 2015 and December 31, 2014, the Company held one collateralized agreement to resell with a carrying value of $30,000, collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $30,000 and guaranteed by a private hedge fund with approximately $789,000 of assets under management as of September 30, 2015. The private hedge fund has the option to repurchase the collateral from the Company at the par value of the collateralized agreement within a year. The collateralized agreement earned interest at a rate of 15.0% per annum as of September 30, 2015 and December 31, 2014.

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 September 30, 2015 and December 31, 2014.

Revenue recognition

The Company's revenue recognition policies are as follows:

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 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. 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.

Prior to the Restructuring, NMFC's revenue recognition policies were as follows:

Revenue, expenses, and capital gains (losses): At each quarterly valuation date, the Predecessor Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) were allocated to NMFC based on its pro-rata interest in the net assets of the Predecessor Operating Company. This was recorded on NMFC's Statements of Operations. Realized gains and losses were recorded upon sales of NMFC's investments in the Predecessor Operating Company. Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. was the difference between the net asset value per share and the closing price per share for shares issued as part of the dividend reinvestment plan on the dividend payment date. This net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. included the unrealized appreciation (depreciation) from the IPO. NMFC used the proceeds from its IPO and Concurrent Private Placement to purchase units in the Predecessor

Operating Company at $13.75 per unit (its IPO price per share). At the IPO date, $13.75 per unit represented a discount to the actual net asset value per unit of the Predecessor Operating Company. As a result, NMFC experienced immediate unrealized appreciation on its investment.

All expenses, including those of NMFC, were paid and recorded by the Predecessor Operating Company. Expenses were allocated to NMFC based on its pro-rata ownership interest. In addition, the Predecessor Operating Company paid all of the offering costs related to the IPO and subsequent offerings. NMFC recorded its portion of the offering costs as a direct reduction to net assets and the cost of its investment in the Predecessor Operating Company.

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 using the straight-line method over the stated life of the related borrowing. See Note 7, *Borrowings*, for details.

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 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 three and nine months ended September 30, 2015, the Company recognized a total provision for income taxes of approximately$409 and $1,347, respectively, for the Company's consolidated subsidiaries. For the three and nine months ended September 30, 2015, the Company recorded current income tax (benefit) expense of approximately $(172) and $130, respectively, and deferred income tax expense of approximately$581 and $1,217, respectively. For the three and nine months ended September 30, 2014, the Company recognized a total provision for income taxes of approximately$115 and $501, respectively, for the Company's consolidated subsidiaries. For the three and nine months ended September 30, 2014, the Company recorded current income tax expense of approximately$230 and $230, respectively, and deferred income tax (benefit) expense of approximately $(115) and $271, respectively. As of September 30, 2015 and December 31, 2014, the Company had $1,710 and $493, 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 material uncertain income tax positions through December 31, 2014. The 2012, 2013 and 2014 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Dividends—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 adjusted 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.

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.

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 nine months ended September 30, 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 quarter ended March 31, 2015 and September 30, 2015, the Company decreased dividend income by $99 and $533, respectively, which decreased the equity investments cost basis by $0 and $3, respectively, and increased the realized gain by $99 and $530, respectively, to agree to the tax treatment on the equity investments.

Note 3. Investments

At September 30, 2015, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 714,089	$ 692,342
Second lien	578,115	574,228
Subordinated	95,513	92,791
Equity and other	103,750	118,619
Total investments	$ 1,491,467	$ 1,477,980

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 385,504	$ 385,712
Business Services	299,604	302,502
Education	160,805	161,492
Federal Services	128,684	129,754
Distribution & Logistics	119,973	120,151
Energy	96,690	76,439
Consumer Services	67,620	67,669
Healthcare Services	66,905	62,777
Media	47,820	53,380
Healthcare Products	34,948	36,062
Business Products	33,372	32,853
Investment Fund	23,000	22,928
Specialty Chemicals and Materials	19,594	19,733
Industrial Services	6,948	6,528
Total investments	$ 1,491,467	$ 1,477,980

At December 31, 2014, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 696,994	$ 677,901
Second lien	621,234	604,158
Subordinated	61,344	61,987
Equity and other	66,319	80,625
Total investments	$ 1,445,891	$ 1,424,671

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 287,538	$ 287,234
Business Services	273,088	260,325
Education	256,522	251,916
Federal Services	124,840	124,608
Healthcare Services	114,111	114,692
Distribution & Logistics	97,344	97,382
Energy	92,393	83,890
Media	58,281	61,081
Consumer Services	48,350	52,348
Business Products	25,654	25,181
Investment in Fund	23,000	22,461
Specialty Chemicals and Materials	19,722	19,825
Healthcare Products	12,183	13,201
Industrial Services	6,934	5,548
Healthcare Information Technology	5,931	4,979
Total investments	$ 1,445,891	$ 1,424,671

During the first quarter of 2015, the Company placed a portion of its second lien position in Edmentum, Inc. ("Edmentum") on non-accrual status due to its ongoing restructuring. As of March 31, 2015, the Company's investment in Edmentum had an aggregate cost basis of $30,771, an aggregate fair value of $15,575 and total unearned interest income of $438 for the three months then ended. In June 2015, Edmentum completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Edmentum. Prior to the extinguishment in June 2015, the Company's original investment in Edmentum had an aggregate cost of $31,636, an aggregate fair value of $16,437 and total unearned interest income for the three and six months ended June 30, 2015 of $413 and $851, respectively. The extinguishment resulted in a realized loss of $15,199. Post restructuring, the Company's investments in Edmentum have been restored to full accrual status. As of September 30, 2015, the Company's investments in Edmentum have an aggregate cost basis of $20,380 and an aggregate fair value of $20,974.

During the first quarter of 2015, the Company's first lien position in Education Management LLC ("EDMC") was non-income producing as a result of the portfolio company undergoing a restructuring. As of December 31, 2014, the Company's investment in EDMC had an aggregate cost basis of $2,987, an aggregate fair value of $1,376 and no unearned interest income for the three months then ended. In January 2015, EDMC completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in EDMC. Prior to the extinguishment in January 2015, the Company's original investment in EDMC had an aggregate cost of $2,987, an aggregate fair value of $1,376 and no unearned interest income for the period then ended. The extinguishment resulted in a realized loss of $1,611. Post restructuring, the Company's investments in EDMC are income producing. As of September 30, 2015, the Company's investments in EDMC have an aggregate cost basis of $1,411 and an aggregate fair value of $1,063.

During the third quarter of 2014, the Company placed a portion of its first lien position in UniTek Global Services, Inc. ("UniTek") on non-accrual status in anticipation of a voluntary petition for a "Pre-Packaged" Chapter 11 Bankruptcy in the U.S. Bankruptcy Court for the District of Delaware, which was filed on November 3, 2014. As of December 31, 2014, the Company's investments in UniTek had an aggregate cost of $47,357, an aggregate fair value of $35,227 and total unearned interest income of $975 for the year then ended. In January 2015, UniTek emerged from "Pre-Packaged" Chapter 11 Bankruptcy and completed its restructuring. The restructuring resulted in a material modification of the original terms and an extinguishment of the Company's original investments in UniTek. Prior to the extinguishment in January 2015, the Company's original investments in UniTek had an aggregate cost of $52,902, an aggregate fair value of $40,137 and total unearned interest income of $68 for the period then ended. The extinguishment resulted in a realized loss of $12,765. Post restructuring, the Company's investments in UniTek have been restored to full accrual status. As of September 30, 2015, the Company's investments in UniTek have an aggregate cost basis of $41,129 and an aggregate fair value of $45,673.

As of September 30, 2015, the Company's two super priority first lien positions in ATI Acquisition Company and its related preferred shares and warrants in Ancora Acquisition LLC remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of September 30, 2015, the Company's investment had an aggregate cost basis of $1,611, an aggregate fair value of $393 and total unearned interest income of $(85) and $83, respectively, for the three and nine months then ended. For the three and nine months ended September 30, 2014, total unearned interest income was $84 and $245, respectively. As of December 31, 2014, the Company's investment had an aggregate cost basis of $1,611 and an aggregate fair value of $402. As of September 30, 2015 and December 31, 2014, unrealized gains (losses) include a fee that the Company would receive upon maturity of the two super priority first lien debt investments.

As of September 30, 2015, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $19,039 and $0, respectively. As of September 30, 2015, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $12,096. As of September 30, 2015, the Company had commitment letters to purchase debt investments in the aggregate par amount of $21,000. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2015.

As of December 31, 2014, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $8,948 and $0, respectively. As of December 31, 2014, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $18,475. As of December 31, 2014, the Company did not have any commitment letters to purchase debt investments. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2014.

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 "Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the Agreement. The term may be extended for up to one year pursuant to certain terms of the Agreement. SLP I has a three year re-investment period.

SLP I is capitalized with $93,000 of capital commitments, $275,000 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 September 30, 2015, SLP I had total investments with an aggregate fair value of approximately $361,934, debt outstanding of $273,262 and capital that had been called and funded of $93,000. As of December 31, 2014, SLP I had total investments with an aggregate fair value of approximately $369,194, debt outstanding of $266,916 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 September 30, 2015 and December 31, 2014.

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. For the three and nine months ended September 30, 2015, the Company earned approximately $308 and $905, respectively, in management fees related to SLP I which is included in other income. For the three and nine months ended September 30, 2014, the Company earned approximately $175 and $179, respectively, in management fees related to SLP I which is included in other income. As of September 30, 2015 and December 31, 2014, approximately $308 and $468, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and nine months ended September 30, 2015, the Company earned approximately $892 and $2,701, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and nine months ended September 30, 2014, the Company earned approximately $297 and $297, respectively, of dividend income related to SLP I, which is included in dividend income. As of September 30, 2015 and December 31, 2014, approximately $892 and $828, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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.

UniTek Global Services, Inc.

UniTek Global Services, Inc. ("UniTek") is a full service provider of technical services to customers in the wireless telecommunications, public safety, satellite television and broadband cable industries in the U.S. and Canada. UniTek's customers are primarily satellite television, broadband cable and other telecommunications companies, their contractors, and municipalities and related agencies. UniTek's customers utilize its services to build and maintain their infrastructure and networks and to provide residential and commercial fulfillment services, which is critical to their ability to deliver voice, video and data services to end users.

UniTek is not considered a significant majority-owned unconsolidated subsidiary under Regulation S-X Rule 10-01(b)(1) for the nine months ended September 30, 2015.

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. Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("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 (Levels I and II) and unobservable (Level III). 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 (Levels II and III) and unobservable inputs (Level III).

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. 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 quarter 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 September 30, 2015:

	Total	Level I	Level II	Level III
First lien	$ 692,342	$ —	$ 395,116	$ 297,226
Second lien	574,228	—	468,650	105,578
Subordinated	92,791	—	38,531	54,260
Equity and other	118,619	284	125	118,210
Total investments	$ 1,477,980	$ 284	$ 902,422	$ 575,274

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2014:

	Total	Level I	Level II	Level III
First lien	$ 677,901	$ —	$ 508,721	$ 169,180
Second lien	604,158	—	469,752	134,406
Subordinated	61,987	—	26,517	35,470
Equity and other	80,625	—	—	80,625
Total investments	$ 1,424,671	$ —	$ 1,004,990	$ 419,681

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2015, 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 September 30, 2015:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2015	$ 423,307	$ 199,465	$ 67,867	$ 55,292	$ 100,683
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	274	12	—	—	262
Net change in unrealized (depreciation) appreciation	(963)	468	(720)	(390)	(321)
Purchases, including capitalized PIK and revolver fundings	171,195	111,289	41,481	282	18,143
Proceeds from sales and paydowns of investments	(6,011)	(1,480)	(3,050)	(924)	(557)
Transfers into Level III(1)	15,079	15,079	—	—	—
Transfers out of Level III(1)	(27,607)	(27,607)	—	—	—
Fair Value, September 30, 2015	$ 575,274	$ 297,226	$ 105,578	$ 54,260	$ 118,210
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (1,256)	$ 468	$ (720)	$ (390)	$ (614)

(1) As of September 30, 2015, 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 quarter in which the reclassifications occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2014, 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 September 30, 2014:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2014	$ 312,261	$ 106,507	$ 113,161	$ 14,850	$ 77,743
Total gains or losses included in earnings:					
Net realized gains on investments	585	—	581	—	4
Net change in unrealized (depreciation) appreciation	(6,614)	(11,586)	(547)	(89)	5,608
Purchases, including capitalized PIK and revolver fundings	65,909	10,859	30,938	20,225	3,887
Proceeds from sales and paydowns of investments	(53,408)	(94)	(33,310)	—	(20,004)
Transfers into Level III(1)(2)	38,669	38,253	—	—	416
Transfers out of Level III(1)	(20,200)	—	(20,200)	—	—
Fair Value, September 30, 2014	$ 337,202	$ 143,939	$ 90,623	$ 34,986	$ 67,654
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (5,868)	$ (11,586)	$ 199	$ (89)	$ 5,608

(1) As of September 30, 2014, 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 quarter in which the reclassifications occurred.

(2) During the three months ended September 30, 2014, the valuation methodology for one portfolio company changed due to the portfolio company's deterioration in operating results and as such, this portfolio company was transferred into Level III from Level II or Level I.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2015, 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 September 30, 2015:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2014	$ 419,681	$ 169,180	$ 134,406	$ 35,470	$ 80,625
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(12,742)	(10,907)	(14,542)	—	12,707
Net change in unrealized appreciation (depreciation)	20,820	10,375	13,217	(3,395)	623
Purchases, including capitalized PIK and revolver fundings(1)	296,488	156,793	77,724	23,109	38,862
Proceeds from sales and paydowns of investments(1)	(164,778)	(44,020)	(105,227)	(924)	(14,607)
Transfers into Level III(2)	43,412	43,412	—	—	—
Transfers out of Level III(2)	(27,607)	(27,607)	—	—	—
Fair Value, September 30, 2015	$ 575,274	$ 297,226	$ 105,578	$ 54,260	$ 118,210
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:	$ 8,196	$ (282)	$ (741)	$ (3,395)	$ 12,614

(1) Includes reorganizations and restructurings.

(2) As of September 30, 2015, 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 quarter in which the reclassifications occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2014, 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 September 30, 2014:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2013	$ 153,720	$ 28,411	$ 55,538	$ 5,171	$ 64,600
Total gains or losses included in earnings:					
Net realized gains on investments	7,409	1,260	581	196	5,372
Net change in unrealized (depreciation) appreciation	(7,035)	(11,915)	98	(285)	5,067
Purchases, including capitalized PIK and revolver fundings	191,138	89,049	48,436	35,463	18,190
Proceeds from sales and paydowns of investments	(65,979)	(1,119)	(33,310)	(5,559)	(25,991)
Transfers into Level III(1)(2)	78,149	38,253	39,480	—	416
Transfers out of Level III(1)	(20,200)	—	(20,200)	—	—
Fair Value, September 30, 2014	$ 337,202	$ 143,939	$ 90,623	$ 34,986	$ 67,654
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (3,343)	$ (11,443)	$ 738	$ (89)	$ 7,451

(1) As of September 30, 2014, 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 quarter in which the reclassifications occurred.

(2) During the nine months ended September 30, 2014, the valuation methodology for one portfolio company changed due to the portfolio company's deterioration in operating results and as such, this portfolio company was transferred into Level III from Level II or Level I.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and nine months ended September 30, 2015 and September 30, 2014. 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. 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:

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.

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. 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, 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 portfolio company enterprise value. Significant increases or decreases in the multiple will result in an increase or decrease in enterprise value, resulting in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of September 30, 2015, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of investments in 20 of its portfolio companies. The Company believes this was a reasonable range in light of current comparable company trading levels and the specific 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 September 30, 2015, the Company used the discount ranges set forth in the table below to value investments in 22 of its portfolio companies.

				Range		
Type	**Fair Value**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 297,226	Market approach	EBITDA multiple	4.5x	17.0x	10.3x
		Income approach	Discount rate	8.1%	12.6%	10.2%
		Other	N/A(1)	N/A(1)	N/A(1)	N/A(1)
Second lien	105,578	Market approach	EBITDA multiple	8.5x	16.0x	11.9x
		Income approach	Discount rate	10.8%	13.4%	11.9%
Subordinated	54,260	Market approach	EBITDA multiple	4.5x	12.4x	9.0x
		Income approach	Discount rate	8.8%	18.2%	15.2%
Equity and other	118,210	Market approach	EBITDA multiple	2.5x	12.0x	6.4x
		Income approach	Discount rate	8.0%	19.6%	14.0%
		Black Scholes analysis	Expected life in years	10.5	10.5	10.5
			Volatility	25.6%	25.6%	25.6%
			Discount rate	2.2%	2.2%	2.2%
	$ 575,274					

(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 September 30, 2015, as the facilities are continually monitored and examined by both the borrower and the lender. The carrying value of the SBA-guaranteed debentures approximate fair value as of September 30, 2015 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 and SBA-guaranteed debentures are considered Level III. The fair value of the Convertible Notes (as defined in Note 7, *Borrowings*) as of September 30, 2015 was $115,072, 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 September 30, 2015 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 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

NMF Holdings entered into an investment advisory and management agreement, as amended and restated, with the Investment Adviser on May 19, 2011. Until May 8, 2014, under the investment advisory and management agreement, the Investment Adviser managed the day-to-day operations of, and provided investment advisory services to, NMF Holdings. For providing these services, the Investment Adviser received a fee from NMF Holdings, consisting of two components—a base management fee and an incentive fee.

On May 6, 2014, the stockholders of NMFC approved a new investment advisory and management agreement (the "Investment Management Agreement") with the Investment Adviser which became effective on May 8, 2014. 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 SLF Credit Facility (as defined in Note 7, *Borrowings*) 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 Predecessor Holdings Credit Facility and into the Holdings Credit Facility on December 18, 2014 (as defined in Note 7, *Borrowings*). 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 approximated $313,681 as of September 30, 2015. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three and nine months ended September 30, 2015, management fees waived were approximately $1,237 and $3,866, respectively. No management fees were waived during the three and nine months ended September 30, 2014, as the SLF Credit Facility was in existence during these periods then ended.

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 September 30, 2015), 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.

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").

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.

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 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.

The following table summarizes the management fees and incentive fees incurred by the Company for thethree and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Management fee	$ 6,373	$ 5,021	$ 19,039	$ 7,763
Management fee allocated from NMF Holdings	—	—	—	5,983
Less: management fee waiver	(1,237)	—	(3,866)	—
Total management fee	5,136	5,021	15,173	13,746
Incentive fee, excluding accrued capital gains incentive fees	$ 5,034	$ 4,520	$ 14,969	$ 7,267
Incentive fee, excluding accrued capital gains incentive fees allocated from NMF Holdings	—	—	—	6,248
Total incentive fee	5,034	4,520	14,969	13,515
Accrued capital gains incentive fees(1)	$ (490)	$ (2,667)	$ —	$ (1,904)
Accrued capital gains incentive fees allocated from NMF Holdings(1)	—	—	—	2,024
Total accrued capital gains incentive fees	(490)	(2,667)	—	120

(1) As of September 30, 2015 and September 30, 2014, 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 Statements of Operations for the three and nine months ended September 30, 2015 is adjusted to reflect this step-up to fair market value.

	Three Months Ended September 30, 2015	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended September 30, 2015
Investment income			
Interest income(1)	$ 33,739	$ (33)	$ 33,706
Dividend income(2)	1,056	—	1,056
Other income	2,652	—	2,652
Total investment income(3)	37,447	(33)	37,414
Total expenses pre-incentive fee(4)	12,244	—	12,244
Pre-Incentive Fee Net Investment Income	25,203	(33)	25,170
Incentive fee(5)	4,544	—	4,544
Post-Incentive Fee Net Investment Income	20,659	(33)	20,626
Net realized losses on investments(6)	(37)	(22)	(59)
Net change in unrealized (depreciation) appreciation of investments(6)	(10,237)	55	(10,182)
Provision for taxes	(581)	—	(581)
Net increase in net assets resulting from operations	$ 9,804		$ 9,804

(1) Includes $856 in PIK interest from investments.

(2) Includes $673 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 $333 and management fee waivers of $1,237.

(5) For the three months ended September 30, 2015, the Company incurred total incentive fees of $4,544, of which $(490) is related to a decrease of the capital gains incentive fee accrual on a hypothetical liquidation basis.

(6) Includes net realized gains and 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.

	Nine Months Ended September 30, 2015	Stepped-up Cost Basis Adjustments	Adjusted Nine Months Ended September 30, 2015
Investment income			
Interest income(1)	$ 102,556	$ (99)	$ 102,457
Dividend income(2)	4,158	—	4,158
Other income	5,174	—	5,174
Total investment income(3)	111,888	(99)	111,789
Total expenses pre-incentive fee(4)	36,945	—	36,945
Pre-Incentive Fee Net Investment Income	74,943	(99)	74,844
Incentive fee(5)	14,969	—	14,969
Post-Incentive Fee Net Investment Income	59,974	(99)	59,875
Net realized losses on investments(6)	(13,508)	(69)	(13,577)
Net change in unrealized appreciation (depreciation) of investments(6)	7,733	168	7,901
Provision for taxes	(1,217)	—	(1,217)
Net increase in net assets resulting from operations	$ 52,982		$ 52,982

(1) Includes $3,002 in PIK interest from investments.

(2) Includes $1,864 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 $733 and management fee waivers of $3,866.

(5) For the nine months ended September 30, 2015, the Company incurred total incentive fees of $14,969, of which $0 is related to capital gains incentive fees on a hypothetical liquidation basis.

(6) Includes net realized gains and 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.

The following Consolidated Statements of Operations for the three and nine months ended September 30, 2014 is adjusted to reflect this step-up to fair market value.

	Three Months Ended September 30, 2014	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended September 30, 2014
Investment income			
Interest income(1)	$ 32,353	$ (53)	$ 32,300
Dividend income	511	—	511
Other income	1,842	—	1,842
Total investment income(2)	34,706	(53)	34,653
Total net expenses pre-incentive fee(3)	12,053	—	12,053
Pre-Incentive Fee Net Investment Income	22,653	(53)	22,600
Incentive fee(4)	1,853	—	1,853
Post-Incentive Fee Net Investment Income	20,800	(53)	20,747
Net realized gains (losses) on investments	768	(201)	567
Net change in unrealized (depreciation) appreciation of investments(5)	(14,272)	254	(14,018)
Benefit for taxes	115	—	115
Net increase in net assets resulting from operations	$ 7,411		$ 7,411

(1) Includes $1,623 in PIK interest from investments.

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

(3) Includes expense waivers and reimbursements of $322.

(4) For the three months ended September 30, 2014, the Company incurred total incentive fees of $1,853, of which $(2,667) is related to a decrease of the capital gains incentive fee accrual on a hypothetical liquidation basis.

(5) Includes net change in unrealized (deprecation) appreciation of investments from non-controlled/non-affiliated investments and non-controlled/affiliated investments.

	Nine Months Ended September 30, 2014	Stepped-up Cost Basis Adjustments	Adjusted Nine Months Ended September 30, 2014
Investment income			
Interest income(1)	$ 51,141	$ (151)	$ 50,990
Dividend income	1,483	—	1,483
Other income	2,551	—	2,551
Investment income allocated from NMF Holdings			
Interest income(1)	40,515	—	40,515
Dividend income	2,368	—	2,368
Other income	795	—	795
Total investment income(2)	98,853	(151)	98,702
Total net expenses pre-incentive fee(3)	31,071	—	31,071
Pre-Incentive Fee Net Investment Income	67,782	(151)	67,631
Incentive fee(4)	13,635	—	13,635
Post-Incentive Fee Net Investment Income	54,147	(151)	53,996
Net realized losses on investments	(299)	(385)	(684)
Net realized gains on investment allocated from NMF Holdings	8,568	—	8,568
Net change in unrealized (depreciation) appreciation of investments(5)	(8,564)	536	(8,028)
Net change in unrealized appreciation (depreciation) of investments allocated from NMF Holdings	940	—	940
Provision for taxes	(271)	—	(271)
Net increase in net assets resulting from operations	$ 54,521		$ 54,521

(1) Includes $3,049 in PIK interest from investments.

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

(3) Includes expense waivers and reimbursements of $1,145.

(4) For the nine months ended September 30, 2014, the Company incurred total incentive fees of $13,635, of which $120 related to capital gains incentive fees on a hypothetical liquidation basis.

(5) Includes net change in unrealized (deprecation) appreciation of investments from non-controlled/non-affiliated investments and non-controlled/affiliated investments.

The Company has entered into an Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator performs, 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, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expenses, trading expenses and management and incentive fees) had been capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, 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 three and nine months ended September 30, 2015, approximately $333 and $1,057, respectively, of indirect administrative expenses were included in administrative expenses of which$333 and $733, respectively, of indirect administrative expenses were waived by the Administrator. For the three and nine months ended September 30, 2014, approximately $322 and $1,069, respectively, of indirect administrative expenses were included in administrative expenses of which $322 and $770, respectively, of indirect administrative expenses were waived by the Administrator. As of September 30, 2015 and December 31, 2014, approximately $0 and $326, respectively, of indirect administrative expenses were included in payable to affiliates as the expenses were payable to the Administrator.

The Company incurred the following expenses, which were waived by the Administrator or were in excess of the expense cap, for the three and nine months ended September 30, 2015 and September 30, 2014:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Administrative expenses	$ 333	$ 322	$ 733	$ 380
Administrative expenses allocated from NMF Holdings	—	—	—	390
Professional fees	—	—	—	—
Professional fees allocated from NMF Holdings	—	—	—	375
Other general and administrative expenses	—	—	—	—
Other general and administrative expenses allocated from NMF Holdings	—	—	—	—
Total expense reimbursement	$ 333	$ 322	$ 733	$ 1,145

As of September 30, 2015 and September 30, 2014, no expense waivers and 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 an 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. Pursuant to the Administration Agreement and further restricted by the Company, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expenses, trading expenses and management and incentive fees) had been capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, 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 three and nine months ended September 30, 2015, approximately $333 and $1,057, respectively, of indirect administrative expenses were included in administrative expenses of which $333 and $733, respectively, of indirect administrative expenses were waived by the Administrator. For the three and nine months ended

September 30, 2014, approximately $322 and $1,069, respectively, of indirect administrative expenses were included in administrative expenses of which$322 and $770, respectively, of indirect administrative expenses were waived by the Administrator. As of September 30, 2015 and December 31, 2014, approximately $0 and $326, respectively, of indirect administrative expenses were included in payable to affiliates as the expenses were payable to the Administrator.

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 their respective 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, with 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.

Concurrently with the IPO, 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 the Concurrent Private Placement.

Note 7. Borrowings

Holdings Credit Facility—On December 18, 2014 the Company entered into the Second Amended and Restated Loan and Security Agreement (the “Holdings Credit Facility”), 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.

Immediately prior to amending the Holdings Credit Facility, NMF SLF merged with and into NMF Holdings. The Holdings Credit Facility effectively amended and restated the Predecessor Holdings Credit Facility (as defined below), merged with the SLF Credit Facility (as defined below), and combined the amount of borrowings previously available.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $495,000, which is the aggregate of the $280,000 previously available under the Predecessor Holdings Credit Facility (as defined below) and the $215,000 previously available under the SLF Credit Facility (as defined below). 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 the Wells Fargo Securities, LLC. 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.

The Holdings Credit Facility bears interest at a rate of the London Interbank Offered Rate (“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).

Prior to December 18, 2014, the Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the “Predecessor Holdings Credit Facility”) among NMF Holdings as the Borrower and Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and would mature on October 27, 2016. NMF Holdings became a party to the Predecessor Holdings Credit Facility upon the IPO of NMFC. The Predecessor Holdings Credit Facility amended and restated the credit facility of the Predecessor Entities (the “Predecessor Credit Facility”).

The maximum amount of revolving borrowings available under the Predecessor Holdings Credit Facility was $280,000. Until December 18, 2014, NMF Holdings was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National

Association. The Predecessor Holdings Credit Facility was amended and restated on May 6, 2014 and as a result, it was non-recourse to the Company and was 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 Predecessor Holdings Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Predecessor Holdings Credit Facility. The Predecessor Holdings Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Predecessor Holdings Credit Facility required the Company to maintain a minimum asset coverage ratio. However, the covenants were 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.

The Predecessor Holdings Credit Facility bore interest at a rate of LIBOR plus 2.75% per annum and charged 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 three and nine months ended September 30, 2015 and the Predecessor Holdings Credit Facility for the three and nine months ended September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense	$ 2,346	$ 1,747	$ 7,697	$ 5,087
Non-usage fee	$ 182	$ 57	$ 389	$ 208
Amortization of financing costs	$ 406	$ 222	$ 1,205	$ 643
Weighted average interest rate	2.6%	2.9%	2.6%	2.9%
Effective interest rate	3.3%	3.4%	3.2%	3.4%
Average debt outstanding	$ 350,521	$ 235,348	$ 391,037	$ 230,959

As of September 30, 2015 and December 31, 2014, the outstanding balance on the Holdings Credit Facility was $385,538 and $468,108, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

SLF Credit Facility—NMF SLF's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and was set to mature on October 27, 2016. The maximum amount of revolving borrowings available under the SLF Credit Facility was $215,000. The SLF Credit Facility was non-recourse to the Company and secured by all assets of NMF SLF on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the SLF Credit Facility. The SLF Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants were generally not tied to mark to market fluctuations in the prices of NMF SLF's investments, but rather to the performance of the underlying portfolio companies. NMF SLF was not restricted from the purchase or sale of loans with an affiliate. Therefore, specified loans could be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility. The SLF Credit Facility merged with the Holdings Credit Facility on December 18, 2014.

Until December 18, 2014, the SLF Credit Facility permitted borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate outstanding loan balance of all pledged debt securities in the SLF Credit Facility was allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association.

The SLF Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for first lien loans and LIBOR plus 2.75% per annum for second lien loans, respectively. A non-usage fee was paid, 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 SLF Credit Facility for the three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015(1)	September 30, 2014	September 30, 2015(1)	September 30, 2014
Interest expense	$ —	$ 1,149	$ —	$ 3,562
Non-usage fee	$ —	$ 16	$ —	$ 16
Amortization of financing costs	$ —	$ 223	$ —	$ 657
Weighted average interest rate	—%	2.2%	—%	2.2%
Effective interest rate	—%	2.7%	—%	2.7%
Average debt outstanding	$ —	$ 202,218	$ —	$ 210,690

(1) Not applicable, as the SLF Credit Facility merged with and into the Holdings Credit Facility on December 18, 2014.

As of December 31, 2014, the SLF Credit Facility had merged with the Holdings Credit Facility.

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 and Goldman Sachs Bank USA as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley, 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.

The maximum amount of revolving borrowings available under the NMFC Credit Facility is $95,000, as amended on June 26, 2015. 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% (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 three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014(1)
Interest expense	$ 547	$ 41	$ 1,213	$ 41
Non-usage fee	$ 15	$ 42	$ 74	$ 56
Amortization of financing costs	$ 89	$ 52	$ 271	$ 67
Weighted average interest rate	2.7%	2.7%	2.7%	2.7%
Effective interest rate	3.2%	8.9%	3.5%	10.9%
Average debt outstanding	$ 79,451	$ 5,978	$ 59,598	$ 4,622

(1) For the nine months ended September 30, 2014, amounts reported relate to the period from June 4, 2014 (commencement of the NMFC Credit Facility) to September 30, 2014.

As of September 30, 2015 and December 31, 2014, the outstanding balance on the NMFC Credit Facility was $67,500 and $50,000, 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 senior 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 of the first anniversary, June 3, 2015, of the Convertible Notes, the restrictions under Rule 144A under the Securities Act of 1933 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 of 1933. 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 the Company's Convertible Notes as of September 30, 2015.

	September 30, 2015
Initial conversion premium	12.5 %
Initial conversion rate(1)	62.7746
Initial conversion price	$ 15.93
Conversion premium at September 30, 2015	11.7 %
Conversion rate at September 30, 2015(1)(2)	63.2794
Conversion price at September 30, 2015(2)(3)	$ 15.80
Last conversion price calculation date	June 3, 2015

(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 September 30, 2015 was calculated on the last anniversary of the issuance and will be adjusted 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 $14.16 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 70.6214 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 senior 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 11, *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 in respect of the Company, 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.

The following table summarizes the interest expense and amortization of financing costs incurred on the Convertible Notes for the three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014(1)
Interest expense	$ 1,438	$ 1,438	$ 4,313	$ 1,885
Amortization of financing costs	$ 187	$ 187	$ 556	$ 244
Effective interest rate	5.6%	5.6%	5.7%	5.6%

(1) For the nine months ended September 30, 2014, amounts reported relate to the period from June 3, 2014 (commencement of the Convertible Notes) to September 30, 2014.

As of September 30, 2015 and December 31, 2014, the outstanding balance on the Convertible Notes was $115,000 and $115,000, respectively, and NMFC was in compliance with the terms of the Indenture.

SBA-guaranteed debentures—On August 1, 2014, SBIC LP received an SBIC license from the SBA.

The SBIC license allows SBIC LP 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 LP over the Company's stockholders in the event SBIC LP is liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations 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 September 30, 2015 and December 31, 2014, SBIC LP had regulatory capital of $55,398 and $42,168, respectively, and SBA-guaranteed debentures outstanding of $103,795 and $37,500, respectively. 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 the Company's SBA-guaranteed debentures as of September 30, 2015.

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%
Total SBA-guaranteed debentures		**$ 103,795**		

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 thethree and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014(1)	September 30, 2015	September 30, 2014(1)
Interest expense	$ 455	$ —	$ 848	$ —
Amortization of financing costs	$ 78	$ 10	$ 148	$ 10
Weighted average interest rate	1.9%	—%	1.9%	—%
Effective interest rate	2.3%	—%	2.2%	—%
Average debt outstanding	$ 92,723	$ —	$ 59,315	$ —

(1) For the three and nine months ended September 30, 2014, amounts reported relate to the period from August 1, 2014 (receipt of the SBIC license) toSeptember 30, 2014.

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 LP is 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. SBIC LP is subject to an annual periodic examination by an SBA examiner to determine SBIC LP'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 September 30, 2015, SBIC LP 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 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 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).

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 September 30, 2015, the Company had unfunded commitments on revolving credit facilities of $19,039, no outstanding bridge financing commitments and other future funding commitments of $12,096. As of December 31, 2014, the Company had unfunded commitments on revolving credit facilities of $8,948, no outstanding bridge financing commitments and other future funding commitments of $18,475. 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 ofSeptember 30, 2015. See Note 7, *Borrowings*, for details.

The Company may from time to time enter into financing commitment letters. As ofSeptember 30, 2015 and December 31, 2014, the Company had commitment letters to purchase debt investments in an aggregate par amount of $21,000 and $0, respectively, which could require funding in the future.

Note 10. Net Assets

The table below illustrates the effect of certain transactions on the net asset accounts of the Company:

	Common Stock		Paid in Capital in	Accumulated Undistributed Net Investment	Accumulated Undistributed Net Realized	Net Unrealized (Depreciation)	Total
	Shares	Par Amount	Excess of Par	Income	Gains (Losses)	Appreciation	Net Assets
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)
Dividends declared	—	—	—	(59,240)	—	—	(59,240)
Net increase (decrease) in net assets resulting from operations	—	—	—	59,974	(13,508)	6,516	52,982
Balance at September 30, 2015	64,005,387	$ 640	$ 899,854	$ 3,264	$ 623	$ (25,684)	$ 878,697

Note 11. 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 thethree and nine months ended September 30, 2015 and September 30, 2014:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Earnings per share—basic				
Numerator for basic earnings per share:	9,804	7,411	52,982	54,521
Denominator for basic weighted average share:	58,725,338	52,071,071	58,269,543	50,262,656
Basic earnings per share:	$ 0.17	$ 0.14	$ 0.91	$ 1.09
Earnings per share—diluted(1)				
Numerator for increase in net assets per share	9,804	7,411	52,982	54,521
Adjustment for interest on Convertible Notes and incentive fees, net	1,150	1,150	3,450	1,508
Numerator for diluted earnings per share:	10,954	8,561	56,432	56,029
Denominator for basic weighted average share	58,725,338	52,071,071	58,269,543	50,262,656
Adjustment for dilutive effect of Convertible Notes	7,277,131	7,219,083	7,244,599	3,331,885
Denominator for diluted weighted average share	66,002,469	59,290,154	65,514,142	53,594,541
Diluted earnings per share	$ 0.17	$ 0.14	$ 0.86	$ 1.05

(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.

Note 12. Financial Highlights

The following information sets forth the financial highlights for the Company for thenine months ended September 30, 2015 and September 30, 2014.

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Per share data(1):		
Net asset value, January 1, 2015 and January 1, 2014, respectively	$ 13.83	$ 14.38
Net investment income	1.03	0.62
Net realized and unrealized gains (losses)(2)	(0.11)	(0.18)
Net increase (decrease) in net assets resulting from operations allocated from NMF Holdings:		
Net investment income(3)	—	0.46
Net realized and unrealized gains (losses)(2)(3)	—	0.19
Total net increase	0.92	1.09
Dividends declared to stockholders from net investment income	(1.02)	(1.02)
Dividends declared to stockholders from net realized gains	—	(0.12)
Net asset value, September 30, 2015 and September 30, 2014, respectively	$ 13.73	$ 14.33
Per share market value, September 30, 2015 and September 30, 2014, respectively	$ 13.59	$ 14.69
Total return based on market value(4)	(2.35)%	5.43%
Total return based on net asset value(5)	6.76 %	7.74%
Shares outstanding at end of period	64,005,387	52,168,320
Average weighted shares outstanding for the period	58,269,543	50,262,656
Average net assets for the period	$ 831,423	$ 732,060
Ratio to average net assets(6):		
Net investment income	9.64 %	9.89%
Total expenses, before waivers/reimbursements	9.09 %	8.37%
Total expenses, net of waivers/reimbursements	8.35 %	8.16%
Average debt outstanding—Holdings Credit Facility(7)	$ 391,037	$ 229,750
Average debt outstanding—SLF Credit Facility(7)	—	209,460
Average debt outstanding—Convertible Notes(8)	115,000	115,000
Average debt outstanding—NMFC Credit Facility(9)	59,598	4,622
Average debt outstanding—SBA-guaranteed debentures	59,315	—
Asset coverage ratio(10)	254.69 %	224.40%
Portfolio turnover(11)	24.67 %	22.39%

(1) Per share data is based on weighted average shares outstanding for the respective period (except for dividends 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 nine months ended September 30, 2015 and September 30, 2014 was $0.01 and $0.01, respectively.

(3) For the nine months ended September 30, 2014, 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 year and a sale on the closing of the last business day of the period. 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 year 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 nine months ended September 30, 2014 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 nine months ended September 30, 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.

(7) For the nine months ended September 30, 2014, average debt outstanding represents the Company's proportionate share of the Predecessor Operating Company's average debt outstanding as well as the Company's average debt outstanding. The average debt outstanding for the nine months ended September 30, 2014 at the Holdings Credit Facility and SLF Credit Facility was $230,959 and $210,690, respectively.

(8) For the nine months ended September 30, 2014, average debt outstanding represents the period from June 3, 2014 (issuance of the Convertible Notes) to September 30, 2014.

(9) For the nine months ended September 30, 2014, average debt outstanding represents the period from June 4, 2014 (commencement of the NMFC Credit Facility) to September 30, 2014.

(10) 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.

(11) For the nine months ended September 30, 2014, portfolio turnover represents the investment activity of the Predecessor Operating Company and the Company.

Note 13. Recent Accounting Standards Updates

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers Topic 606—Summary and Amendments that Create Revenue from Contracts with Customers and Other Assets and Deferred Costs* ("ASU 2014-09"). ASU 2014-09 establishes a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance was effective for interim and annual reporting periods beginning after December 15, 2016. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers Topic 606—Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year, to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted only for annual reporting periods beginning after December 15, 2016. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, *Transfers and Servicing Topic 860—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU 2014-11 requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. The adoption of ASU 2014-11 does not have a material impact on the Company's consolidated financial statements and disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern Subtopic 205-40—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity presents such costs on the statement of assets and liabilities as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The new standard will be effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Fair Value Measurement Topic 820—Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), which amends the presentation of investments measured at net asset value, as a practical expedient for fair value, from the fair value hierarchy. Under ASU 2015-07, an entity would remove investments measured using the practical expedient from the fair value hierarchy. ASU 2015-07 will be effective for annual and interim reporting periods after December 15, 2015. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

Note 14. Subsequent Events

On November 3, 2015, the Company’s board of directors declared a fourth quarter 2015 distribution of $0.34 per share payable on December 30, 2015 to holders of record as of December 16, 2015.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Boards of Directors of
New Mountain Finance Corporation
New York, New York

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries, including the consolidated schedule of investments, as of September 30, 2015, and the related consolidated statements of operations for the three and nine month periods ended September 30, 2015 and 2014, and the changes in net assets and cash flows for the nine month periods ended September 30, 2015 and 2014. These interim financial statements are the responsibility of the management of New Mountain Finance Corporation.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities of New Mountain Finance Corporation as of December 31, 2014, the related statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2015, we expressed an unqualified opinion on those financial statements and included an explanatory paragraph relating to the restructuring that occurred in 2014.

In our opinion, the information set forth in the statement of assets and liabilities of New Mountain Finance Corporation as of December 31, 2014, is fairly stated, in all material respects, in relation to the statement of assets and liabilities of New Mountain Finance Corporation as of December 31, 2014, from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

November 4, 2015

Item 2. 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 consolidated financial statements and the notes thereto contained elsewhere in this report.

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 the future performance or financial condition of the Company. 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 the Company invests;
- the ability of the Company's portfolio companies to achieve their objectives;
- the Company's ability to make investments consistent with its investment objectives, including with respect to the size, nature and terms of its 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 other affiliates of New Mountain Capital Group, L.L.C.; and
- the risk factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2014.

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 our annual report on Form 10-K for the year ended December 31, 2014.

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

NMFC is a Delaware corporation that was originally incorporated on June 29, 2010. 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").

On May 19, 2011, NMFC priced its initial public offering (the "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 (defined as New Mountain Capital Group, L.L.C. and its affiliates) 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, New Mountain Finance Holdings, L.L.C. ("NMF

Holdings" or the "Predecessor Operating Company") acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMF Holdings is a Delaware limited liability company. Until May 8, 2014, NMF Holdings was externally managed 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 United States ("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. For additional information on our organizational structure prior to May 8, 2014, see "—Restructuring".

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser. As of May 8, 2014, the Investment Adviser serves as the external investment adviser to NMFC. New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management totaling more than $15.0 billion(1), which includes total assets held by the Company. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. 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".

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. See "—*Borrowings"* for additional information on the Company's credit facilities.

Until April 25, 2014, New Mountain Finance AIV Holdings Corporation ("AIV Holdings") was a Delaware corporation that was originally incorporated on March 11, 2011. AIV Holdings was dissolved on April 25, 2014. 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.

Prior to the Restructuring (as defined below) on 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.

(1) Includes amounts committed, not all of which have been drawn down and invested to-date, as of September 30, 2015, as well as amounts called and returned since inception.

Since NMFC's IPO, and through September 30, 2015, NMFC raised approximately $454.0 million in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $288.4 million on behalf of AIV Holdings for exchanged units. NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC's common stock sold in 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 a BDC was not in the best interests 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 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 2014 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.

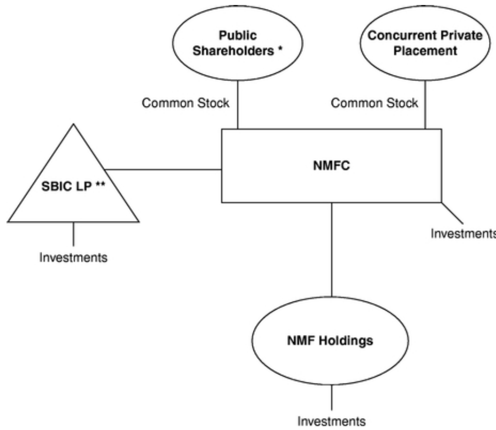
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility, 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.

Current Organization

During the nine months ended September 30, 2015, the Company established a wholly-owned subsidiary, NMF QID NGL Holdings, Inc. (“NMF QID”). The Company’s wholly-owned subsidiaries, NMF Ancora Holdings Inc. (“NMF Ancora”), NMF QID and NMF YP Holdings Inc. (“NMF YP”), 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”) that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. (“SBIC LP”), and its general partner, New Mountain Finance SBIC G.P., L.L.C. (“SBIC GP”), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC LP received a license from the 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”).

The diagram below depicts the Company’s organizational structure as of September 30, 2015.



* Includes partners of New Mountain Guardian Partners, L.P.

** NMFC is the sole limited partner of SBIC LP. NMFC, directly or indirectly through SBIC GP, wholly-owns SBIC LP. NMFC owns 100.0% of SBIC GP which owns 1.0% of SBIC LP. NMFC owns 99.0% of SBIC LP.

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. 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 LP’s investment objective is to generate current income and capital appreciation under the investment criteria used by the Company, however, SBIC LP’s investments must be in SBA eligible companies. The Company’s portfolio may be concentrated in a limited number of industries. As of September 30, 2015, the Company’s top five industry concentrations were software, business services, education, federal services and distribution & logistics.

As of September 30, 2015, the Company’s net asset value was $878.7 million and its portfolio had a fair value of approximately $1,478.0 million in 73 portfolio companies, with a weighted average Yield to Maturity at Cost of approximately 10.4%. This Yield to Maturity at Cost (“Yield to Maturity at Cost”) calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the quarter end date 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). This calculation excludes the impact of existing leverage. Yield to Maturity 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 the Company’s portfolio or other factors.

Recent Developments

On November 3, 2015, the Company's board of directors declared a fourth quarter 2015 distribution of $0.34 per share payable on December 30, 2015 to holders of record as of December 16, 2015.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with 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

The Company consolidates its wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, SBIC LP, SBIC 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 "—*Borrowings"* for additional information on the Company's credit facilities. The Company is an investment company following accounting and reporting guidance as described in Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*, ("ASC 946"). 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 is 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 is 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.

Valuation and Leveling of Portfolio Investments

At all times consistent with GAAP and the 1940 Act, the Company conducts a valuation of assets, which impacts its net asset value.

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 its 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:

      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 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 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 the Company's 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 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 Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("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 (Levels I and II) and unobservable (Level III). 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 (Levels II and III) and unobservable inputs (Level III).

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. 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 quarter 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 September 30, 2015:

(in thousands)	Total	Level I	Level II	Level III
First lien	$ 692,342	$ —	$ 395,116	$ 297,226
Second lien	574,228	—	468,650	105,578
Subordinated	92,791	—	38,531	54,260
Equity and other	118,619	284	125	118,210
Total investments	$ 1,477,980	$ 284	$ 902,422	$ 575,274

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:

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.

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. 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, 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 portfolio company enterprise value. Significant increases or decreases in the multiple will result in an increase or decrease in enterprise value, resulting in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of September 30, 2015, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of investments in 20 of its portfolio companies. The Company believes this was a reasonable range in light of current comparable company trading levels and the specific 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 September 30, 2015, the Company used the discount ranges set forth in the table below to value investments in 22 of its portfolio companies.

(in thousands)				Range		
Type	Fair Value	Approach	Unobservable Input	Low	High	Weighted Average
First lien	$ 297,226	Market approach	EBITDA multiple	4.5x	17.0x	10.3x
		Income approach	Discount rate	8.1%	12.6%	10.2%
		Other	N/A(1)	N/A(1)	N/A(1)	N/A(1)
Second lien	105,578	Market approach	EBITDA multiple	8.5x	16.0x	11.9x
		Income approach	Discount rate	10.8%	13.4%	11.9%
Subordinated	54,260	Market approach	EBITDA multiple	4.5x	12.4x	9.0x
		Income approach	Discount rate	8.8%	18.2%	15.2%
Equity and other	118,210	Market approach	EBITDA multiple	2.5x	12.0x	6.4x
		Income approach	Discount rate	8.0%	19.6%	14.0%
		Black Scholes analysis	Expected life in years	10.5	10.5	10.5
			Volatility	25.6%	25.6%	25.6%
			Discount rate	2.2%	2.2%	2.2%
	$ 575,274					

(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 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 "Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the Agreement. The term may be extended for up to one year pursuant to certain terms of the Agreement. SLP I has a three year re-investment period.

SLP I is capitalized with $93.0 million of capital commitments, $275.0 million of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of September 30, 2015, SLP I had total investments with an aggregate fair value of approximately $361.9 million, debt outstanding of $273.3 million and capital that had been called and funded of $93.0 million. As of December 31, 2014, SLP I had total investments with an aggregate fair value of approximately $369.2 million, debt outstanding of $266.9 million and capital that had been called and funded of $93.0 million. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedules of Investments as of September 30, 2015 and December 31, 2014.

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. For the three and nine months ended September 30, 2015, the Company earned approximately $0.3 million and $0.9 million, respectively, in management fees related to SLP I which is included in other income. For the three and nine months ended September 30, 2014, the Company earned approximately $0.2 million and $0.2 million, respectively, in management fees related to SLP I which is included in other income. As of September 30, 2015 and December 31, 2014, approximately $0.3 million and $0.5 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and nine months ended September 30, 2015, the Company earned approximately $0.9 million and $2.7 million, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and nine months ended September 30, 2014, the Company earned approximately $0.3 million and $0.3 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of September 30, 2015 and December 31, 2014, approximately $0.9 million and $0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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.

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 September 30, 2015 and December 31, 2014, the Company held one collateralized agreement to resell with a carrying value of $30.0 million, collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $30.0 million and guaranteed by a private hedge fund with approximately $789.0 million of assets under management as of September 30, 2015. The private hedge fund has the option to repurchase the collateral from the Company at the par value of the collateralized agreement within a year. The collateralized agreement earned interest at a rate of 15.0% per annum as of September 30, 2015 and December 31, 2014.

Revenue Recognition

The Company's revenue recognition policies are as follows:

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 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 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. 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.

Prior to the Restructuring, NMFC's revenue recognition policies were as follows:

Revenue, expenses, and capital gains (losses): At each quarterly valuation date, the Predecessor Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) were allocated to NMFC based on its pro-rata interest in the net assets of the Predecessor Operating Company. This was recorded on NMFC's Statements of Operations. Realized gains and losses are recorded upon sales of NMFC's investments in the Predecessor Operating Company. Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. is the difference between the net asset value per share and the closing price per share for shares issued as part of the dividend reinvestment plan on the dividend payment date. This net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. includes the unrealized appreciation (depreciation) from the IPO. NMFC used the proceeds from its IPO and Concurrent Private Placement to purchase units in the Predecessor Operating Company at $13.75 per unit (its IPO price per share). At the IPO date, $13.75 per unit represented a discount to the actual net asset value per unit of the Predecessor Operating Company. As a result, NMFC experienced immediate unrealized appreciation on its investment.

All expenses, including those of NMFC, were paid and recorded by the Predecessor Operating Company. Expenses were allocated to NMFC based on pro-rata ownership interest. In addition, the Predecessor Operating Company paid all of the offering costs related to the IPO and subsequent offerings. NMFC recorded its portion of the offering costs as a direct reduction to net assets and the cost of their investment in the Predecessor Operating Company.

Monitoring of Portfolio Investments

The Company monitors the performance and financial trends of its portfolio companies on at least a quarterly basis. The Company attempts to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of its original investment strategy.

The Company uses an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. The Company uses 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 risk has increased materially 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 the Company will not recoup its original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of the Company's investments on the 1 to 4 investment rating scale at fair value as of September 30, 2015:

(in millions)	**As of September 30, 2015**			
Investment Rating	**Par Value(1)**	**Percent**	**Fair Value**	**Percent**
Investment Rating 1	$ 234.9	16.4%	$ 243.6	16.5%
Investment Rating 2	1,131.6	78.9%	1,192.4	80.7%
Investment Rating 3	65.3	4.6%	41.6	2.8%
Investment Rating 4	1.8	0.1%	0.4	—
	$ 1,433.6	100.0%	$ 1,478.0	100.0%

(1) Excludes shares and warrants.

As of September 30, 2015, all investments in the Company's portfolio had an Investment Rating of 1 or 2 with the exception of five portfolio company names; four portfolio companies with an Investment Rating of 3 and one portfolio company with an Investment Rating of 4.

During the first quarter of 2015, the Company placed a portion of its second lien position in Edmentum, Inc. ("Edmentum") on non-accrual status due to its ongoing restructuring. As of March 31, 2015, the Company's investment in Edmentum had an aggregate cost basis of $30.8 million, an aggregate fair value of $15.6 million and total unearned interest income of $0.4 million for the three months then ended. In June 2015, Edmentum completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Edmentum. Prior to the extinguishment in June 2015, the Company's original investment in Edmentum had an aggregate cost of $31.6 million, an aggregate fair value of $16.4 million and total unearned interest income for the three and six months ended June 30, 2015 of $0.4 million and $0.8 million, respectively. The extinguishment resulted in a realized loss of $15.2 million. Post restructuring, the Company's investments in Edmentum have been restored to full accrual status. As of September 30, 2015, the Company's investments in Edmentum have an aggregate cost basis of $20.4 million and an aggregate fair value of $21.0 million.

During the first quarter of 2015, the Company's first lien position in Education Management LLC ("EDMC") was non-income producing as a result of the portfolio company undergoing a restructuring. As of December 31, 2014, the Company's investment in EDMC had an aggregate cost basis of $3.0 million, an aggregate fair value of $1.4 million and no unearned interest income for the three months then ended. In January 2015, EDMC completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in EDMC. Prior to the extinguishment in January 2015, the Company's original investment in EDMC had an aggregate cost of $3.0 million, an aggregate fair value of $1.4 million and no unearned interest income for the period then ended. The extinguishment resulted in a realized loss of $1.6 million. Post restructuring, the Company's investments in EDMC are income producing. As of September 30, 2015, the Company's investments in EDMC have an aggregate cost basis of $1.4 million and an aggregate fair value of $1.1 million.

During the third quarter of 2014, the Company placed a portion of its first lien position in UniTek Global Services, Inc. ("UniTek") on non-accrual status in anticipation of a voluntary petition for a "Pre-Packaged" Chapter 11 Bankruptcy in the U.S. Bankruptcy Court for the District of Delaware which was filed on November 3, 2014. As of December 31, 2014, the Company's investments in UniTek had an aggregate cost of $47.4 million, an aggregate fair value of $35.2 million and total unearned interest income of $1.0 million for the year then ended. In January 2015, UniTek emerged from "Pre-Packaged" Chapter 11 Bankruptcy and completed its restructuring. The restructuring resulted in a material modification of the original terms and an extinguishment of the Company's original investments in UniTek. Prior to the extinguishment in January 2015, the Company's original investments in UniTek had an aggregate cost of $52.9 million, an aggregate fair value of $40.1 million and total unearned interest income of $0.1 million for the period then ended. The extinguishment resulted in a realized loss of $12.8 million. Post restructuring, the Company's investments in UniTek have been restored to full accrual status. As of September 30, 2015, the Company's investments in UniTek have an aggregate cost basis of $41.1 million and an aggregate fair value of $45.7 million.

As of September 30, 2015, the Company's two super priority first lien positions in ATI Acquisition Company and its related equity positions in Ancora Acquisition LLC had an Investment Rating of 4 due to the underlying business encountering significant regulatory constraints which have led to the portfolio company's underperformance. As of September 30, 2015, the Company's two super priority first lien positions in ATI Acquisition Company and its related preferred shares and warrants in Ancora Acquisition LLC remained on non-accrual status due to the inability of the portfolio company to service its interest payments for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of September 30, 2015, the Company's investment in ATI Acquisition Company and Ancora Acquisition LLC had an aggregate cost basis of $1.6 million, an aggregate fair value of $0.4 million and total unearned interest income of $(0.1) million and $0.1 million for the three and nine months then ended. For the three and nine months ended September 30, 2014, total unearned interest income was $0.1 million and $0.2 million, respectively. As of December 31, 2014, the Company's investment had an aggregate cost basis of $1.6 million and an aggregate fair value of $0.4 million. As of September 30, 2015 and December 31, 2014, unrealized gains (losses) include a fee that the Company would receive upon maturity of the two super priority first lien debt investments.

Portfolio and Investment Activity

The fair value of the Company's investments was approximately $1,478.0 million in 73 portfolio companies at September 30, 2015 and approximately $1,424.7 million in 71 portfolio companies at December 31, 2014.

The following table shows the Company's portfolio and investment activity for the nine months ended September 30, 2015 and September 30, 2014:

	Nine Months Ended	
(in millions)	**September 30, 2015**	**September 30, 2014(1)**
New investments in 26 and 36 portfolio companies, respectively	$ 400.8	$ 516.2
Debt repayments in existing portfolio companies	271.6	197.9
Sales of securities in 14 and 10 portfolio companies, respectively	73.2	84.7
Change in unrealized appreciation on 39 and 30 portfolio companies, respectively	45.9	20.4
Change in unrealized depreciation on 47 and 45 portfolio companies, respectively	(38.2)	(27.9)

(1) For the nine months ended September 30, 2014, amounts represent the investment activity of the Predecessor Operating Company through and including May 7, 2014 and the investment activity of the Company from May 8, 2014 through September 30, 2014.

At September 30, 2015 and September 30, 2014, the Company's weighted average Yield to Maturity at Cost was approximately 10.4% and 10.7%, respectively.

Recent Accounting Standards Updates

In May 2014, the FASB issued Accounting Standards Update No. 2014-09,*Revenue from Contracts with Customers Topic 606—Summary and Amendments that Create Revenue from Contracts with Customers and Other Assets and Deferred Costs* (“ASU 2014-09”). ASU 2014-09 establishes a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity’s revenue across industries, transactions and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance was effective for interim and annual reporting periods beginning after December 15, 2016. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers Topic 606—Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year, to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted only for annual reporting periods beginning after December 15, 2016. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11,*Transfers and Servicing Topic 860—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* (“ASU 2014-11”). ASU 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU 2014-11 requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. The adoption of ASU 2014-11 does not have a material impact on the Company’s consolidated financial statements and disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15,*Presentation of Financial Statements—Going Concern Subtopic 205-40—Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 will explicitly require management to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company’s consolidated financial statements and disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity presents such costs on the statement of assets and liabilities as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The new standard will be effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07,*Fair Value Measurement Topic 820—Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), which amends the presentation of investments measured at net asset value, as a practical expedient for fair value, from the fair value hierarchy. Under ASU 2015-07, an entity would remove investments measured using the practical expedient from the fair value hierarchy. ASU 2015-07 will be effective for annual and interim reporting periods after December 15, 2015. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

Results of Operations

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, 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. The Company tracks 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. See *Item 1.—Financial Statements—Note 5, Agreements* for additional details.

The following table for the Company for the three months ended September 30, 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)	Three Months Ended September 30, 2015	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Three Months Ended September 30, 2015
Investment income				
Interest income	$ 33,739	$ (33)	$ —	$ 33,706
Dividend income	1,056	—	—	1,056
Other income	2,652	—	—	2,652
Total investment income(2)	37,447	(33)	—	37,414
Total expenses pre-incentive fee(3)	12,244	—	—	12,244
Pre-Incentive Fee Net Investment Income	25,203	(33)	—	25,170
Incentive fee	4,544	—	490	5,034
Post-Incentive Fee Net Investment Income	20,659	(33)	(490)	20,136
Net realized losses on investments(4)	(37)	(22)	—	(59)
Net change in unrealized (depreciation) appreciation of investments(4)	(10,237)	55	—	(10,182)
Provision for taxes	(581)	—	—	(581)
Capital gains incentive fees	—	—	490	490
Net increase in net assets resulting from operations	$ 9,804			$ 9,804

(1) For the three months ended September 30, 2015, the Company incurred total incentive fees of $4.5 million, of which $(0.5) million related to the reduction of 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 $0.3 million and management fee waivers of $1.2 million.

(4) Includes net realized gains and 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 three months ended September 30, 2015, the Company had a $33 thousand adjustment to interest income for amortization, a decrease of $22 thousand to net realized losses and an increase of approximately $0.1 million to net change in unrealized appreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the three months ended September 30, 2015, total adjusted investment income of $37.4 million consisted of approximately $32.2 million in cash interest from investments, approximately $0.8 million in PIK interest from investments, no prepayment fees, net amortization of purchase premiums and discounts of approximately $0.6 million, approximately $0.4 million in cash dividends from investments, $0.7 million in PIK dividends from investments and approximately $2.7 million in other income. The Company's Adjusted Net Investment Income was $20.1 million for the three months ended September 30, 2015.

In accordance with GAAP, for the three months ended September 30, 2015, the Company decreased its hypothetical capital gains incentive fee accrual by $0.5 million 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 September 30, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

The following table for the Company for the nine months ended September 30, 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)	Nine Months Ended September 30, 2015	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Nine Months Ended September 30, 2015
Investment income				
Interest income	$ 102,556	$ (99)	$ —	$ 102,457
Dividend income	4,158	—	—	4,158
Other income	5,174	—	—	5,174
Total investment income(2)	111,888	(99)	—	111,789
Total expenses pre-incentive fee(3)	36,945	—	—	36,945
Pre-Incentive Fee Net Investment Income	74,943	(99)	—	74,844
Incentive fee	14,969	—	—	14,969
Post-Incentive Fee Net Investment Income	59,974	(99)	—	59,875
Net realized losses on investments(4)	(13,508)	(69)	—	(13,577)
Net change in unrealized appreciation (depreciation) of investments(4)	7,733	168	—	7,901
Provision for taxes	(1,217)	—	—	(1,217)
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	$ 52,982			$ 52,982

(1) For the nine months ended September 30, 2015, the Company incurred total incentive fees of $15.0 million, of which none was related to capital gains incentive fees 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 $3.8 million.

(4) Includes net realized gains and 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 nine months ended September 30, 2015, the Company 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 approximately $0.2 million to net change in unrealized appreciation to adjust for the stepped-up cost basis of the transferred investments as discussed above. For the nine months ended September 30, 2015, total adjusted investment income of $111.8 million consisted of approximately $94.5 million in cash interest from investments, approximately $3.0 million in PIK interest from investments, approximately $3.2 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $1.7 million, approximately $2.3 million in cash dividends from investments, $1.9 million in PIK dividends from investments and approximately $5.2 million in other income. The Company's Adjusted Net Investment Income was $59.9 million for the nine months ended September 30, 2015.

In accordance with GAAP, for the nine months ended September 30, 2015, the Company 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 September 30, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Results of Operations for the Company for the Three Months Ended September 30, 2015 and September 30, 2014

Revenue

	Three Months Ended		Percentage
(in thousands)	**September 30, 2015**	**September 30, 2014**	**Change**
Interest income	$ 33,739	$ 32,353	4%
Dividend income	1,056	511	107%
Other income	2,652	1,842	44%
Total investment income	$ 37,447	$ 34,706	8%

The Company's total investment income increased by approximately $2.7 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The 8% increase in total investment income primarily results from an increase in interest income of approximately $1.4 million from the three months ended September 30, 2014 to the three months ended September 30, 2015 which is attributable to larger invested balances, driven by the proceeds from the October 2014 primary offering of the Company's common stock and the Company's use of leverage from its revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 was primarily attributable to distributions from the Company's investment in SLP I and PIK dividend income from an equity position. The increase in other income during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, which represents fees that are generally non-recurring in nature, was primarily attributable to higher structuring, upfront, amendment and consent fees received from portfolio companies during the three months ended September 30, 2015 and commitment fees received from three bridge facilities.

Operating Expenses

	Three Months Ended		Percentage
(in thousands)	**September 30, 2015**	**September 30, 2014**	**Change**
Management fee	$ 6,373	$ 5,021	
Less: management fee waiver	(1,237)	—	
Total management fee	5,136	5,021	2 %
Incentive fee	5,034	4,520	11 %
Capital gains incentive fee(1)	(490)	(2,667)	(82)%
Interest and other financing expenses	5,788	5,237	11 %
Professional fees	808	890	(9)%
Administrative expenses	647	549	18 %
Other general and administrative expenses	370	448	(17)%
Total expenses	17,293	13,998	24 %
Less: expenses waived and reimbursed	(333)	(322)	3 %
Net expenses before income taxes	16,960	13,676	24 %
Income tax (benefit) expense	(172)	230	NM *
Net expenses after income taxes	$ 16,788	$ 13,906	21 %

* Not meaningful.

(1) Capital gains incentive fee accrual assumes a hypothetical liquidation basis.

The Company's total net operating expenses increased by approximately $2.9 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The Company's management fee increased by approximately $0.1 million, net of a management fee waiver, and incentive fees increased by approximately $0.5 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The increase in management fee and incentive fee from the three months ended September 30, 2014 to the three months ended September 30, 2015 was attributable to larger invested balances, driven by the proceeds from the October 2014 primary offering of NMFC's common stock and the Company's use of leverage from its revolving credit facilities and SBA-guaranteed debentures to originate new investments. The Company's capital gains incentive fee accrual decreased by approximately $0.5 million for the three months ended September 30, 2015 as compared to a decrease of $2.7 million for the three months ended September 30, 2014. These decreases to the capital gains incentive fee accrual were attributable to lower net Adjusted Realized Capital Gains (Losses) and Adjusted Unrealized Capital Appreciation (Depreciation) of investments during the periods. As of September 30, 2015, no actual capital gains incentive fee would be owed under the Investment Management Agreement by the Company if the Company had ceased operations as of September 30, 2015, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Interest and other financing expenses increased by approximately $0.6 million during the three months ended September 30, 2015, primarily due to the Company closing of the NMFC Credit Facility (as defined below) during the second quarter of 2014 and the drawing on SBA-guaranteed debentures beginning in the fourth quarter of 2014. The Company's total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

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

	Three Months Ended		Percentage
(in thousands)	**September 30, 2015**	**September 30, 2014**	**Change**
Net realized (losses) gains on investments	$ (37)	$ 768	NM *
Net change in unrealized (depreciation) appreciation of investments	(10,237)	(14,272)	28%
(Provision) benefit for taxes	(581)	115	NM *
Total net realized (losses) gains and net change in unrealized (depreciation) appreciation of investments	$ (10,855)	$ (13,389)	19%

* Not meaningful.

The Company's net realized and unrealized losses resulted in a net loss of $10.9 million for the three months ended September 30, 2015 compared to the net realized gains and unrealized loss resulting in a net loss of approximately $13.4 million for the same period in 2014. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net loss for the three months ended September 30, 2015 was primarily driven by the overall decrease in the market prices of the Company's investments during the period. The net loss for the three months ended September 30, 2014 was primarily driven by the overall decrease in the market prices of the Company's investments during the period and the partial write-down related to one portfolio company. The provision for income taxes was primarily attributable to three equity investments that are held as of September 30, 2015 in three of the Company's corporate subsidiaries.

Results of Operations for the Company for the Nine Months Ended September 30, 2015 and September 30, 2014

Revenue

	Nine Months Ended		Percentage
(in thousands)	**September 30, 2015**	**September 30, 2014**	**Change**
Interest income	$ 102,556	$ 51,141	
Interest income allocated from the Predecessor Operating Company	—	40,515	
Total interest income	102,556	91,656	12%
Dividend income	4,158	1,483	
Dividend income allocated from the Predecessor Operating Company	—	2,368	
Total dividend income	4,158	3,851	8%
Other income	5,174	2,551	
Other income allocated from the Predecessor Operating Company	—	795	
Total other income	5,174	3,346	55%
Total investment income	$ 111,888	$ 98,853	13%

The Company's total investment income increased by approximately $13.0 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The 13% increase in total investment income primarily results from an increase in interest income of approximately $10.9 million from the nine months ended September 30, 2014 to the nine months ended September 30, 2015 which is attributable to larger invested balances, driven by the proceeds from the October 2014 primary offering of the Company's common stock, the Company's use of leverage from its revolving credit facilities, SBA-guaranteed debentures and the deployment of the June 2014 proceeds from the issuance of $115.0 million of convertible notes to originate new investments and prepayment fees received associated with the early repayments or partial repayments of seven different portfolio companies held by the Company as of December 31, 2014. The increase in dividend income during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 was primarily attributable to distributions from the Company's investment in SLP I and PIK dividend income from an equity position. The increase in other income of approximately $1.8 million during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, which represents fees that are generally non-recurring in nature, was primarily attributable to structuring, upfront, amendment and consent fees received from 16 different portfolio companies, commitment fees received from three bridge facilities and management fees from a non-controlled affiliated portfolio company.

Operating Expenses

(in thousands)	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Percentage Change
Management fee	$ 19,039	$ 7,763	
Management fee allocated from the Predecessor Operating Company	—	5,983	
Less: management fee waiver	(3,866)	—	
Total management fee	15,173	13,746	10 %
Incentive fee	14,969	7,267	
Incentive fee allocated from the Predecessor Operating Company	—	6,248	
Total incentive fee	14,969	13,515	11 %
Capital gains incentive fee(1)	—	(1,904)	
Capital gains incentive fee allocated from the Predecessor Operating Company(1)	—	2,024	
Total capital gains incentive fee(1)	—	120	(100)%
Interest and other financing expenses	16,863	7,796	
Interest and other financing expenses allocated from the Predecessor Operating Company	—	4,764	
Total interest and other financing expenses	16,863	12,560	34 %
Professional fees	2,456	1,530	
Professional fees allocated from the Predecessor Operating Company	—	1,238	
Total professional fees	2,456	2,768	(11)%
Administrative expenses	1,804	909	
Administrative expenses allocated from the Predecessor Operating Company	—	761	
Total administrative expenses	1,804	1,670	8 %
Other general and administrative expenses	1,252	687	
Other general and administrative expenses allocated from the Predecessor Operating Company	—	555	
Total other general and administrative expenses	1,252	1,242	1 %
Total expenses	52,517	45,621	15 %
Less: expenses waived and reimbursed	(733)	(1,145)	(36)%
Net expenses before income taxes	51,784	44,476	16 %
Income tax expense	130	230	(43)%
Net expenses after income taxes	$ 51,914	$ 44,706	16 %

(1) Capital gains incentive fee accrual assumes a hypothetical liquidation basis.

The Company's total net operating expenses increased by approximately $7.2 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The Company's management fee increased by approximately $1.4 million, net of a management fee waiver, and incentive fees increased by approximately $1.5 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The increase in management fee and incentive fee from the nine months ended September 30, 2014 to the nine months ended September 30, 2015 was attributable to larger invested balances, driven by the proceeds from the October 2014 primary offering of NMFC's common stock, the Company's use of leverage from its revolving credit facilities, SBA-guaranteed debentures and the deployment of the June 2014 proceeds from the issuance of $115.0 million of convertible notes to originate new investments. The Company's capital gains incentive fees decreased by approximately $0.1 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, which was attributable to lower net Adjusted Realized Capital Gains (Losses) and Adjusted Unrealized Capital Appreciation (Depreciation) of investments during the period due to lower marks on the broader portfolio. As of September 30, 2015, no actual capital gains incentive fee would be owed under the

Investment Management Agreement by the Company if the Company had ceased operations as of September 30, 2015, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Interest and other financing expenses increased by approximately $4.3 million during the nine months ended September 30, 2015, primarily due to the Company's issuance of $115.0 million of convertible notes, the closing of the NMFC Credit Facility (as defined below) during the second quarter of 2014 and the drawing on SBA-guaranteed debentures beginning in the fourth quarter of 2014. The Company's total professional fees, total administrative expenses and total other general and administrative expenses decreased $0.2 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. During the nine months ended September 30, 2014, the Company incurred $10.9 thousand in other expenses that were not subject to the expense cap pursuant to the administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and further restricted by the Company. The Company's expenses waived and reimbursed decreased by approximately $0.4 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due to the expiration of the expense cap on March 31, 2014.

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

	Nine Months Ended		Percentage
(in thousands)	**September 30, 2015**	**September 30, 2014**	**Change**
Net realized losses on investments	$ (13,508)	$ (299)	
Net realized gains on investments allocated from Predecessor Operating Company	—	8,568	
Total realized (losses) gains on investments	(13,508)	8,269	NM *
Net change in unrealized appreciation (depreciation) of investments	7,733	(8,564)	
Net change in unrealized appreciation (depreciation) of investments allocated from Predecessor Operating Company	—	940	
Total change in unrealized appreciation (depreciation) of investments	7,733	(7,624)	NM *
Provision for taxes	(1,217)	(271)	NM *
Total net realized (losses) gains and net change in unrealized appreciation (depreciation) of investments	$ (6,992)	$ 374	NM *

* Not meaningful.

The Company's net realized losses and unrealized gains resulted in a net loss of approximately $7.0 million for the nine months ended September 30, 2015 compared to the net realized gains and unrealized losses resulting in a net gain of approximately $0.4 million for the same period in 2014. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net loss for the nine months ended September 30, 2015 was primarily driven by $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 net gain for the nine months ended September 30, 2014 was primarily driven by a $5.6 million gain from the sale of the Company's warrant investments in one portfolio company and driven by sales or repayments of investments with fair values in excess of December 31, 2013 valuations resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. These gains offset the overall decrease in the market prices of the Company's investments during the period and the partial write-down related to one portfolio company. The provision for income taxes was primarily attributable to three equity investments that are held as of September 30, 2015 in three of the Company's corporate subsidiaries.

Liquidity and Capital Resources

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

Since NMFC's IPO, and through September 30, 2015, NMFC raised approximately $454.0 million in net proceeds from additional offerings of common stock and issued shares valued at approximately $288.4 million on behalf of AIV Holdings for exchanged units. NMFC acquired from the Predecessor Operating Company units of the Predecessor Operating Company equal to the number of shares of NMFC's common stock sold in the additional offerings.

On September 25, 2015, the Company completed a public offering of 5,750,000 shares of its common stock (including 750,000 shares of common stock that were issued pursuant to the full exercise of the option granted to the underwriters to purchase additional shares) at a public offering price of $14.14 per share, which resulted in net proceeds of $79.4 million. Steven B. Klinsky, the Chairman of the Company's board of directors, purchased 500,000 shares in this offering at the public offering price.

The Company's 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 September 30, 2015 and December 31, 2014, the Company had cash and cash equivalents of approximately $24.6 million and $23.4 million, respectively. Cash used in operating activities for the Company during the nine months ended September 30, 2015 and September 30, 2014 was approximately $20.9 million and $167.7 million, respectively, which includes the activity allocated from NMF Holdings. We expect that all current liquidity needs by the Company will be met with cash flows from operations and other activities.

Borrowings

Holdings Credit Facility—On December 18, 2014 the Company entered into the Second Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), 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.

Immediately prior to amending the Holdings Credit Facility, NMF SLF merged with and into NMF Holdings. The Holdings Credit Facility effectively amended and restated the Predecessor Holdings Credit Facility (as defined below), merged with the SLF Credit Facility (as defined below), and combined the amount of borrowings previously available.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $495.0 million, which is the aggregate of the $280.0 million previously available under the Predecessor Holdings Credit Facility (as defined below) and the $215.0 million previously available under the SLF Credit Facility (as defined below). 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 the Wells Fargo Securities, LLC. 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.

The Holdings Credit Facility bears interest at a rate of the 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).

Prior to December 18, 2014, the Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the "Predecessor Holdings Credit Facility") among NMF Holdings as the Borrower and Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and would mature on October 27, 2016.

The maximum amount of revolving borrowings available under the Predecessor Holdings Credit Facility was $280.0 million. Until December 18, 2014, NMF Holdings was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Predecessor Holdings Credit Facility was amended and restated on May 6, 2014 and as a result, it was non-recourse to the Company and was 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 Predecessor Holdings Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Predecessor Holdings Credit Facility. The Predecessor Holdings Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the

Predecessor Holdings Credit Facility required the Company to maintain a minimum asset coverage ratio. However, the covenants were 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.

The Predecessor Holdings Credit Facility bore interest at a rate of the LIBOR plus 2.75% per annum and charged 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 three and nine months ended September 30, 2015 and the Predecessor Holdings Credit Facility for the three and nine months ended September 30, 2014.

	Three Months Ended		Nine Months Ended	
(in million)	**September 30, 2015**	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Interest expense	$ 2.3	$ 1.7	$ 7.7	$ 5.1
Non-usage fee	$ 0.2	$ — (1)	$ 0.4	$ 0.2
Amortization of financing costs	$ 0.4	$ 0.2	$ 1.2	$ 0.6
Weighted average interest rate	2.6%	2.9%	2.6%	2.9%
Effective interest rate	3.3%	3.4%	3.2%	3.4%
Average debt outstanding	$ 350.5	$ 235.3	$ 391.0	$ 231.0

(1) For the three months ended September 30, 2014, the total non-usage fee was less than $0.1 million.

As of September 30, 2015 and December 31, 2014, the outstanding balance on the Holdings Credit Facility was $385.5 million and $468.1 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

SLF Credit Facility—NMF SLF's Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility") among NMF SLF as the Borrower, NMF Holdings as the Collateral Administrator, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, was structured as a revolving credit facility and was set to mature on October 27, 2016. The maximum amount of revolving borrowings available under the SLF Credit Facility was $215.0 million. The SLF Credit Facility was non-recourse to the Company and secured by all assets of NMF SLF on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the SLF Credit Facility. The SLF Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants were generally not tied to mark to market fluctuations in the prices of the NMF SLF's investments, but rather to the performance of the underlying portfolio companies. NMF SLF was not restricted from the purchase or sale of loans with an affiliate. Therefore, specified first lien loans could be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility. The SLF Credit Facility merged with the Holdings Credit Facility on December 18, 2014.

Until December 18, 2014, the SLF Credit Facility permitted borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate outstanding loan balance of all pledged debt securities in the SLF Credit Facility was allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association.

The SLF Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for first lien loans and LIBOR plus 2.75% per annum for second lien loans, respectively, as amended on March 11, 2013. A non-usage fee was paid, 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 SLF Credit Facility for the three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2015(1)	September 30, 2014	September 30, 2015(1)	September 30, 2014
Interest expense	$ —	$ 1.1	$ —	$ 3.6
Non-usage fee	$ —	$ — (2)	$ —	$ — (2)
Amortization of financing costs	$ —	$ 0.3	$ —	$ 0.7
Weighted average interest rate	—%	2.2%	—%	2.2%
Effective interest rate	—%	2.7%	—%	2.7%
Average debt outstanding	$ —	$ 202.2	$ —	$ 210.7

(1) Not applicable, as the SLF Credit Facility merged with and into the Holdings Credit Facility on December 18, 2014.

(2) For the three and nine months ended September 30, 2014, the total non-usage fee was less than $50 thousand.

As of December 31, 2014, the SLF Credit Facility had merged with the Holdings Credit Facility.

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 and Goldman Sachs Bank USA as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley, 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.

The maximum amount of revolving borrowings available under the NMFC Credit Facility is $95.0 million, as amended on June 26, 2015. 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% (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 three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014(1)
Interest expense	$ 0.5	$ — (2)	$ 1.2	$ — (2)
Non-usage fee	$ — (3)	$ — (3)	$ 0.1	$ — (3)
Amortization of financing costs	$ 0.1	$ 0.1	$ 0.3	$ 0.1
Weighted average interest rate	2.7%	2.7%	2.7%	2.7%
Effective interest rate	3.2%	8.9%	3.5%	10.9%
Average debt outstanding	$ 79.5	$ 6.0	$ 59.6	$ 4.6

(1) For the nine months ended September 30, 2014, amounts reported relate to the period from June 4, 2014 (commencement of the NMFC Credit Facility) to September 30, 2014.

(2) For the three and nine months ended September 30, 2014, the total interest expense was less than $50 thousand.

(3) For the three months ended September 30, 2015 and for the three and nine months ended September 30, 2014, the total non-usage fee was less than $0.1 million.

As of September 30, 2015 and December 31, 2014, the outstanding balance on the NMFC Credit Facility was $67.5 million and $50.0 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, the Company closed a private offering of $115.0 million aggregate principal amount of senior 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 of the first anniversary, June 3, 2015, of the Convertible Notes, the restrictions under Rule 144A under the Securities Act of 1933 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 of 1933. 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 the Company's Convertible Notes as of September 30, 2015.

		September 30, 2015
Initial conversion premium		12.5 %
Initial conversion rate(1)		62.7746
Initial conversion price	$	15.93
Conversion premium at September 30, 2015		11.7 %
Conversion rate at September 30, 2015(1)(2)		63.2794
Conversion price at September 30, 2015(2)(3)	$	15.80
Last conversion price calculation date		June 3, 2015

(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 September 30, 2015 was calculated on the last anniversary of the issuance and will be adjusted 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 $14.16 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 70.6214 per $1.0 thousand 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 senior 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 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 our subsidiaries and financing vehicles. 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 in respect of the Company, 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.

The following table summarizes the interest expense and amortization of financing costs incurred on the Convertible Notes for the three and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014(1)
Interest expense	$ 1.4	$ 1.4	$ 4.3	$ 1.9
Amortization of financing costs	$ 0.2	$ 0.1	$ 0.6	$ 0.2
Effective interest rate	5.6%	5.6%	5.7%	5.6%

(1) For the nine months ended September 30, 2014, amounts reported relate to the period from June 3, 2014 (commencement of the Convertible Notes) to September 30, 2014.

As of September 30, 2015 and December 31, 2014, the outstanding balance on the Convertible Notes was $115.0 million and $115.0 million, respectively, and NMFC was in compliance with the terms of the Indenture.

SBA-guaranteed debentures—On August 1, 2014, SBIC LP received an SBIC license from the SBA.

The SBIC license allows SBIC LP 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 LP over the Company's stockholders in the event SBIC LP is liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations 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 September 30, 2015 and December 31, 2014, SBIC LP had regulatory capital of $55.4 million and $42.2 million, respectively, and SBA-guaranteed debentures outstanding of $103.8 million and $37.5 million, respectively. 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 the Company's fixed-rate SBA-guaranteed debentures as of September 30, 2015.

(in millions)

Issuance Date	Maturity Date	Debenture 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%
Total SBA-guaranteed debentures		**$ 103.8**		

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 thethree and nine months ended September 30, 2015 and September 30, 2014.

	Three Months Ended			Nine Months Ended		
(in millions)	September 30, 2015	September 30, 2014(1)		September 30, 2015	September 30, 2014(1)	
Interest expense	$ 0.4	$ —		$ 0.8	$ —	
Amortization of financing costs	$ 0.1	$ —	(2)	$ 0.1	$ —	(2)
Weighted average interest rate	1.9%	—%		1.9%	—%	
Effective interest rate	2.3%	—%		2.2%	—%	
Average debt outstanding	$ 92.7	$ —		$ 59.3	$ —	

(1) For the three and nine months ended September 30, 2014, amounts reported relate to the period from August 1, 2014 (receipt of the SBIC license) toSeptember 30, 2014.

(2) For the three and nine months ended September 30, 2014, the total amortization of financing costs was less than $50 thousand.

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 LP is 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. SBIC LP is subject to an annual periodic examination by an SBA examiner to determine SBIC LP'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 September 30, 2015, SBIC LP was in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

The Company may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its 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 September 30, 2015 and December 31, 2014, the Company had outstanding commitments to third parties to fund investments totaling $31.1 million and $27.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

The Company may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of September 30, 2015 and December 31, 2014, the Company had commitment letters to purchase debt investments in an aggregate par amount of$21.0 million and $0, respectively. As of September 30, 2015 and December 31, 2014, the Company had not entered into any bridge financing commitments which could require funding in the future.

Contractual Obligations

A summary of the Company's significant contractual payment obligations as of September 30, 2015 is as follows:

	Contractual Obligations Payments Due by Period (in millions)				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	$ 385.5	$ —	$ —	$ 385.5	$ —
Convertible Notes(2)	115.0	—	—	115.0	—
SBA-guaranteed debentures(3)	103.8	—	—	—	103.8
NMFC Credit Facility(4)	67.5	—	—	67.5	—
Total Contractual Obligations	$ 671.8	$ —	$ —	$ 568.0	$ 103.8

(1) Under the terms of the $495.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($385.5 million as of September 30, 2015) must be repaid on or before December 18, 2019. As of September 30, 2015, there was approximately $109.5 million of possible capacity remaining under the Holdings Credit Facility.

(2) The $115.0 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

(3) $37.5 million of the Company's SBA-guaranteed debentures will mature on March 1, 2025 and $66.3 million of the Company's SBA-guaranteed debentures will mature on September 1, 2025.

(4) Under the terms of the $95.0 million NMFC Credit Facility, all outstanding borrowings under that facility ($67.5 million as of September 30, 2015) must be repaid on or before June 4, 2019. As of September 30, 2015, there was approximately $27.5 million of possible capacity remaining under the NMFC Credit Facility.

The Company has certain contracts under which it has material future commitments. The Company has $31.1 million of undrawn funding commitments as of September 30, 2015 related to its participation as a lender in revolving credit facilities, delayed draw commitments or other future funding commitments of the Company's portfolio companies. As of September 30, 2015, the Company had no bridge financing commitments and commitment letters to purchase debt investments in an aggregate par amount of $21.0 million, which could require funding in the future.

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 the Company 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 its performance.

We have also entered into an 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 perform, or oversee the performance 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 of the Company for the nine months ended September 30, 2015 totaled $59.2 million.

The following table summarizes the quarterly cash distributions, including dividends and returns of capital, if any, per share that have been declared by the Predecessor Operating Company's board of directors from the IPO until May 8, 2014, and the Company's board of directors thereafter:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount	
December 31, 2015					
Third Quarter	August 4, 2015	September 16, 2015	September 30, 2015	$ 0.34	
Second Quarter	May 5, 2015	June 16, 2015	June 30, 2015	0.34	
First Quarter	February 23, 2015	March 17, 2015	March 31, 2015	0.34	
				$ 1.02	
December 31, 2014					
Fourth Quarter	November 4, 2014	December 16, 2014	December 30, 2014	$ 0.34	
Third Quarter	August 5, 2014	September 16, 2014	September 30, 2014	0.34	
Third Quarter	July 30, 2014	August 20, 2014	September 3, 2014	0.12	(1)
Second Quarter	May 6, 2014	June 16, 2014	June 30, 2014	0.34	
First Quarter	March 4, 2014	March 17, 2014	March 31, 2014	0.34	
				$ 1.48	
December 31, 2013					
Fourth Quarter	November 8, 2013	December 17, 2013	December 31, 2013	$ 0.34	
Third Quarter	August 7, 2013	September 16, 2013	September 30, 2013	0.34	
Third Quarter	August 7, 2013	August 20, 2013	August 30, 2013	0.12	(2)
Second Quarter	May 6, 2013	June 14, 2013	June 28, 2013	0.34	
First Quarter	March 6, 2013	March 15, 2013	March 28, 2013	0.34	
				$ 1.48	
December 31, 2012					
Fourth Quarter	December 27, 2012	December 31, 2012	January 31, 2013	$ 0.14	(3)
Fourth Quarter	November 6, 2012	December 14, 2012	December 28, 2012	0.34	
Third Quarter	August 8, 2012	September 14, 2012	September 28, 2012	0.34	
Second Quarter	May 8, 2012	June 15, 2012	June 29, 2012	0.34	
Second Quarter	May 8, 2012	May 21, 2012	May 31, 2012	0.23	(4)
First Quarter	March 7, 2012	March 15, 2012	March 30, 2012	0.32	
				$ 1.71	
December 31, 2011					
Fourth Quarter	November 8, 2011	December 15, 2011	December 30, 2011	$ 0.30	
Third Quarter	August 10, 2011	September 15, 2011	September 30, 2011	0.29	
Second Quarter	August 10, 2011	August 22, 2011	August 31, 2011	0.27	
				$ 0.86	
Total				$ 6.55	

(1) Special dividend related to realized capital gains attributable to the Company's warrant investments in Learning Care Group (US), Inc.

(2) Special dividend related to a distribution received attributable to NMF Holdings' investment in YP Equity Investors LLC.

(3) Special dividend intended to minimize to the greatest extent possible NMFC's U.S. federal income or excise tax liability.

(4) Special dividend related to estimated realized capital gains attributable to NMF Holdings' investments in Lawson Software, Inc. and Infor Lux Bond Company.

Tax characteristics of all dividends paid by the Company were reported to stockholders on Form 1099 after the end of the calendar year. Future quarterly dividends, if any, for the Company will be determined by the board of directors.

The Company intends to pay quarterly distributions to its stockholders in amounts sufficient to maintain its status as a RIC. The Company intends to distribute approximately all of its Adjusted Net Investment Income on a quarterly basis and substantially all of its taxable income on an annual basis, except that it may retain certain net capital gains for reinvestment.

The Company maintains an “opt out” dividend reinvestment plan on behalf of its common stockholders, pursuant to which each of its stockholders’ cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See *Item 1—Financial Statements—Note 2, Summary of Significant Accounting Policies* for additional details regarding the Company’s dividend reinvestment plan.

Related Parties

The Company has entered into a number of business relationships with affiliated or related parties, including the following:

- 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 an 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. Pursuant to the Administration Agreement and further restricted by the Company, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expense, trading expenses and management and incentive fees) had been capped at $4.25 million for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, 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 three and nine months ended September 30, 2015, approximately $0.3 million and $1.1 million, respectively, of indirect administrative expenses were included in administrative expenses, of which $0.3 million and $0.7 million, respectively, of indirect administrative expenses were waived by the Administrator. For the three and nine months ended September 30, 2014, approximately $0.3 million and $1.1 million, respectively, of indirect administrative expenses were included in administrative expenses, of which $0.3 million and $0.8 million, respectively, of indirect administrative expenses were waived by the Administrator. As of September 30, 2015 and December 31, 2014, approximately $0 and $0.3 million, respectively, of indirect administrative expenses were included in payable to affiliates as the expenses were payable to the Administrator.
- 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”.

In addition, the Company has adopted a formal code of ethics that governs the conduct of their respective 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, with the Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company 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.

Concurrently with the IPO, 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 the Concurrent Private Placement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to certain financial market risks, such as interest rate fluctuations. During thenine months ended September 30, 2015, certain of the loans held in the Company's portfolio had floating interest rates. As of September 30, 2015, approximately 85.5% of investments at fair value (excluding investments on non-accrual, revolvers, delayed draws and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 14.5% of investments at fair value represent fixed-rate investments. Additionally, the Company's 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 the Company's portfolio of investments held on September 30, 2015. Interest expense is calculated based on the terms of the Company's outstanding revolving credit facilities and convertible notes. For the Company's floating rate credit facilities, the Company uses the outstanding balance as of September 30, 2015. Interest expense on the Company's floating rate credit facilities are calculated using the interest rate as of September 30, 2015, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on the Company's portfolio investments remain unchanged from the actual effective interest rates as of September 30, 2015. These hypothetical calculations are based on a model of the investments in our portfolio, held as of September 30, 2015, 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	0.77 %	(1)
Base Interest Rate	— %	
+100 Basis Points	(1.79)%	
+200 Basis Points	4.42 %	
+300 Basis Points	11.18 %	

(1) Limited to the lesser of the September 30, 2015 LIBOR rates or a decrease of 25 basis points.

The Company was not exposed to any foreign currency exchange risks as of September 30, 2015.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2015 (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) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the quarter endedSeptember 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

The terms "we", "us", "our" and the "Company" refers to New Mountain Finance Corporation and its consolidated subsidiaries.

Item 1. Legal Proceedings

The Company, the Company's consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of September 30, 2015. 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 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. There have been no material changes during the nine months ended September 30, 2015 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not engage in unregistered sales of securities during the quarter ended September 30, 2015.

Issuer Purchases of Equity Securities

For the quarter ended September 30, 2015, we did not purchase any common stock in the open market.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

(a) 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 Senior Note Due 2019 (included as part of Exhibit 4.2)(7)
10.1	Second Amended and Restated Loan and Security Agreement, dated as of December 18, 2014, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Securities, LLC, as administrative agent, and Wells 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 Issuing Bank(12)
10.8	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.9	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)
10.10	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.11	Second Amended and Restated Administration Agreement(11)
10.12	Form of Trademark License Agreement(1)
10.13	Amendment No. 1 to Trademark License Agreement(4)
10.14	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)
10.15	Dividend Reinvestment Plan(2)

Exhibit Number	Description
11.1	Computation of Per Share Earnings for New Mountain Finance Corporation (included in the notes to the financial statements contained in this report)
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)
99.1	Supplemental Financial Information

(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 December 23, 2014.

(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.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 4, 2015.

NEW MOUNTAIN FINANCE CORPORATION

By:	/s/ ROBERT A. HAMWEE
	Robert A. Hamwee
	Chief Executive Officer and President
	(Principal Executive Officer)
By:	/s/ MELODY L. SIU
	Melody L. Siu
	Chief Financial Officer and Treasurer
	(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert A. Hamwee, Chief Executive Officer of New Mountain Finance Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 registrants, including their 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 4th day of November, 2015

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Melody L. Siu, Chief Financial Officer of New Mountain Finance Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 registrants, including their 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 4th day of November, 2015

/s/ MELODY L. SIU

Melody L. Siu

EXHIBIT 32.1

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 Quarterly Report on Form 10-Q for the period endedSeptember 30, 2015 (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:	November 4, 2015

EXHIBIT 32.2

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 Quarterly Report on Form 10-Q for the period endedSeptember 30, 2015 (the “Report”) of New Mountain Finance Corporation (the “Registrant”), as filed with the United States Securities and Exchange Commission on the date hereof, I, Melody L. Siu, 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/ MELODY L. SIU

Name: Melody L. Siu
Date: November 4, 2015

EXHIBIT 99.1

TABLE OF CONTENTS

New Mountain Finance Holdings, L.L.C

Consolidated Statements of Operations
(in thousands)
(unaudited)

	From April 1, 2014 to May 7, 2014	Three months ended June 30, 2013	From January 1, 2014 to May 7, 2014	Six months ended June 30, 2013
Investment income				
Interest income	$ 12,847	$ 27,321	$ 40,986	$ 52,364
Dividend income	279	6,436	2,374	6,433
Other income	113	1,399	797	1,677
Total investment income	13,239	35,156	44,157	60,474
Expenses				
Incentive fee	1,882	5,407	6,325	8,865
Capital gains incentive fee	523	(1,701)	2,050	981
Total incentive fees	2,405	3,706	8,375	9,846
Management fee	1,879	3,727	6,055	7,295
Interest and other financing expenses	1,408	3,118	4,821	6,189
Professional fees	393	563	1,255	1,135
Administrative expenses	176	939	772	1,698
Other general and administrative expenses	166	396	556	806
Total expenses	6,427	12,449	21,834	26,969
Less: expenses waived and reimbursed (see Note 5)	—	(836)	(774)	(1,665)
Net expenses	6,427	11,613	21,060	25,304
Net investment income	6,812	23,543	23,097	35,170
Net realized gains on investments	5,860	3,312	8,640	4,356
Net change in unrealized (depreciation) appreciation of investments	(3,742)	(12,031)	1,072	(141)
Net increase in members' capital resulting from operations	$ 8,930	$ 14,824	$ 32,809	$ 39,385

New Mountain Finance Holdings, L.L.C

Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	From January 1, 2014 to May 7, 2014	Six months ended June 30, 2013
Cash flows from operating activities		
Net increase in members' capital resulting from operations	$ 32,809	$ 39,385
Adjustments to reconcile net (increase) decrease in members' capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(8,640)	(4,356)
Net change in unrealized (appreciation) depreciation of investments	(1,072)	141
Amortization of purchase discount	(997)	(1,923)
Amortization of deferred financing costs	591	735
Non-cash investment income	(1,264)	(2,177)
(Increase) decrease in operating assets:		
Purchase of investments	(188,042)	(262,254)
Proceeds from sales and paydowns of investments	122,821	201,388
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	126	—
Cash paid for purchase of drawn portion of revolving credit or delayed draw facilities	(516)	—
Cash paid on drawn revolvers	(380)	—
Cash repayments on drawn revolvers	570	—
Interest and dividend receivable	(1,006)	(4,862)
Receivable from unsettled securities sold	—	9,962
Receivable from affiliate	75	(114)
Other assets	(660)	(715)
Increase (decrease) in operating liabilities:		
Capital gains incentive fee payable	937	981
Incentive fee payable	2,221	2,017
Management fee payable	2,199	505
Payable for unsettled securities purchased	5,716	9,900
Interest payable	(721)	45
Payable to affiliate	153	46
Other liabilities	113	166
Net cash flows used in operating activities	(34,967)	(11,130)
Cash flows from financing activities		
Net proceeds from shares sold	58,644	57,020
Dividends paid	(15,247)	(36,992)
Offering costs paid	(150)	(542)
Proceeds from Holdings Credit Facility	114,482	171,818
Repayment of Holdings Credit Facility	(137,100)	(169,320)
Proceeds from SLF Credit Facility	332	3,238
Repayment of SLF Credit Facility	—	(10,400)
Deferred financing costs paid	(18)	(498)
Net cash flows provided by financing activities	20,943	14,324
Net (decrease) increase in cash and cash equivalents	(14,024)	3,194
Cash and cash equivalents at the beginning of the period	14,981	12,752
Cash and cash equivalents at the end of the period	$ 957	$ 15,946
Supplemental disclosure of cash flow information		
Cash interest paid	$ 4,749	$ 5,256
Non-cash financing activities:		
Value of members' capital issued in connection with dividend reinvestment plan	$ 1,038	$ 2,496
Accrual for offering costs	617	1,276
Accrual for deferred financing costs	125	25

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Assets, Liabilities and Members' Capital
(in thousands, except units and per unit data)

	September 30, 2013		December 31, 2012	
	(unaudited)			
Assets				
Investments at fair value (cost of $1,025,337 and $976,243, respectively)	$	1,041,432	$	989,820
Cash and cash equivalents		17,629		12,752
Interest and dividend receivable		11,097		6,340
Deferred credit facility costs (net of accumulated amortization of $3,147 and $2,016, respectively)		4,838		5,490
Receivable from affiliate		317		534
Receivable from unsettled securities sold		—		9,962
Other assets		1,981		666
Total assets	$	1,077,294	$	1,025,564
Liabilities				
SLF Credit Facility		215,000		214,262
Holdings Credit Facility		159,091		206,938
Payable for unsettled securities purchased		43,400		9,700
Capital gains incentive fee payable		6,974		4,407
Incentive fee payable		3,534		3,390
Management fee payable		3,754		3,222
Interest payable		755		712
Payable to affiliate		3		—
Dividends payable		—		11,192
Other liabilities		2,978		1,802
Total liabilities		435,489		455,625
Members' Capital		641,805		569,939
Total liabilities and members' capital	$	1,077,294	$	1,025,564
Outstanding common membership units		44,831,859		40,548,189
Capital per unit	$	14.32	$	14.06

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

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Operations
(in thousands)
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Investment income				
Interest income	$ 27,175	$ 21,362	$ 79,539	$ 60,087
Dividend income	(1,631)	215	4,802	215
Other income	249	175	1,926	771
Total investment income	25,793	21,752	86,267	61,073
Expenses				
Incentive fee	3,533	2,978	12,398	8,147
Capital gains incentive fee	1,587	2,583	2,568	3,547
Total incentive fee	5,120	5,561	14,966	11,694
Management fee	3,754	2,768	11,049	7,887
Interest and other credit facility expenses	3,190	2,402	9,379	7,286
Administrative expenses	743	544	2,441	1,604
Professional fees	549	405	1,684	1,279
Other general and administrative expenses	378	375	1,184	1,015
Total expenses	13,734	12,055	40,703	30,765
Less: expenses waived and reimbursed (See Note 5)	(600)	(439)	(2,265)	(1,387)
Net expenses	13,134	11,616	38,438	29,378
Net investment income	12,659	10,136	47,829	31,695
Net realized gains on investments	5,160	1,615	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,659	10,494	2,518	10,710
Net increase in members' capital resulting from operations	$ 20,478	$ 22,245	$ 59,863	$ 56,996

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

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Changes in Members' Capital
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	September 30, 2012
Increase in members' capital resulting from operations:		
Net investment income	$ 47,829	$ 31,695
Net realized gains on investments	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,518	10,710
Net increase in members' capital resulting from operations	59,863	56,996
Net contributions	57,020	82,300
Dividends declared	(48,877)	(40,046)
Offering costs	(249)	(377)
Reinvestment of dividends	4,109	980
Net increase in members' capital	71,866	99,853
Members' capital at beginning of period	569,939	420,502
Members' capital at end of period	$ 641,805	$ 520,355

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

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	September 30, 2012
Cash flows from operating activities		
Net increase in members' capital resulting from operations	$ 59,863	$ 56,996
Adjustments to reconcile net (increase) decrease in capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(9,516)	(14,591)
Net change in unrealized (appreciation) depreciation of investments	(2,518)	(10,710)
Amortization of purchase discount	(2,671)	(4,549)
Amortization of deferred credit facility costs	1,131	825
Non-cash interest income	(2,697)	(888)
(Increase) decrease in operating assets:		
Purchase of investments	(349,349)	(392,162)
Proceeds from sales and paydowns of investments	315,139	268,369
Cash paid for drawn revolvers	—	(10,710)
Cash repayments on drawn revolvers	—	9,870
Interest and dividend receivable	(4,757)	(1,272)
Receivable from affiliate	217	198
Receivable from unsettled securities sold	9,962	—
Other assets	(302)	(642)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	33,700	12,195
Capital gains incentive fee payable	2,567	3,547
Incentive fee payable	144	661
Management fee payable	532	567
Interest payable	43	(1,166)
Payable to affiliate	3	23
Other liabilities	590	(322)
Net cash flows provided by (used in) operating activities	52,081	(83,761)
Cash flows from financing activities		
Net contributions	57,020	82,300
Dividends paid	(55,961)	(39,066)
Offering costs paid	(656)	(259)
Proceeds from Holdings Credit Facility	246,923	311,326
Repayment of Holdings Credit Facility	(294,770)	(304,699)
Proceeds from SLF Credit Facility	11,138	89,031
Repayment of SLF Credit Facility	(10,400)	(54,959)
Deferred credit facility costs paid	(498)	(2,561)
Net cash flows (used in) provided by financing activities	(47,204)	81,113
Net increase (decrease) in cash and cash equivalents	4,877	(2,648)
Cash and cash equivalents at the beginning of the period	12,752	15,319
Cash and cash equivalents at the end of the period	$ 17,629	$ 12,671
Supplemental disclosure of cash flow information		
Interest paid	$ 7,938	$ 7,185
Non-cash operating activities:		
Non-cash activity on investments	$ 1,986	$ —
Non-cash financing activities:		
Value of members' capital issued in connection with dividend reinvestment plan	$ 4,109	$ 980
Accrual for offering costs	1,162	326
Accrual for deferred credit facility costs	25	59

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

September 30, 2013
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments - Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien (2)(7)	12.00%	3/29/2015	$ 6,497	$ 6,305	$ 6,513	1.01%
Total Funded Debt Investments - Bermuda				**$ 6,497**	**$ 6,305**	**$ 6,513**	**1.01%**
Funded Debt Investments - Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 30,000	$ 29,458	$ 30,394	4.74%
Total Funded Debt Investments - Cayman Islands				**$ 30,000**	**$ 29,458**	**$ 30,394**	**4.74%**
Funded Debt Investments - United States							
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)	9.75%	4/1/2021	$ 24,500	$ 24,345	$ 26,093	
	First lien (3)	9.00% (Base Rate + 7.75%)	3/22/2019	19,900	19,342	20,174	
				44,400	43,687	46,267	7.21%
UniTek Global Services, Inc.							
Business Services	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	26,176	25,265	25,543	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	6,337	6,117	6,184	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	5,268	5,084	5,140	
				37,781	36,466	36,867	5.74%
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien (3)	6.00% (Base Rate + 4.75%)	5/17/2018	6,449	6,291	6,486	
	Second lien (2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150	28,649	29,405	
				35,599	34,940	35,891	5.59%
SRA International, Inc.							
Federal Services	First lien (2)	6.50% (Base Rate + 5.25%)	7/20/2018	34,750	33,739	34,533	5.38%
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,726	30,921	4.82%
Global Knowledge Training LLC							
Education	First lien (3)	6.51% (Base Rate + 4.99%)	4/21/2017	4,624	4,575	4,624	
	First lien (3)	6.51% (Base Rate + 4.99%)	4/21/2017	1,159	1,147	1,159	
	Second lien (2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250	23,855	24,643	
				30,033	29,577	30,426	4.74%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien (3)	7.25% (Base Rate + 5.75%)	11/22/2017	$ 7,158	$ 7,044	$ 7,195	
	Second lien (2)	11.00% (Base Rate + 9.50%)	11/22/2018	23,353	22,758	23,090	
				30,511	29,802	30,285	4.72%
Deltek, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	10/10/2019	30,000	29,709	30,275	4.72%
JHCI Acquisition, Inc.							
Distribution & Logistics	First lien (3)	7.00% (Base Rate + 5.75%)	7/11/2019	19,950	19,658	20,000	
	Second lien (2)	11.00% (Base Rate + 9.75%)	7/11/2020	10,000	9,707	9,700	
				29,950	29,365	29,700	4.63%
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	9.75% (Base Rate + 8.50%)	10/9/2019	28,300	27,828	28,866	4.50%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (3)	7.25% (Base Rate + 6.00%)	11/13/2017	17,392	17,023	17,218	
	First lien (2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,483	10,303	10,378	
				27,875	27,326	27,596	4.30%
YP Holdings LLC (8)							
YP LLC							
Media	First lien (2)	8.06% (Base Rate + 6.69%)	6/4/2018	27,120	26,476	26,984	4.20%
Meritas Schools Holdings, LLC							
Education	First lien (3)	7.00% (Base Rate + 5.75%)	6/25/2019	18,953	18,769	18,988	
	First lien (2)	7.00% (Base Rate + 5.75%)	6/25/2019	6,983	6,915	6,996	
				25,936	25,684	25,984	4.05%
Kronos Incorporated							
Software	Second lien (2)	9.75% (Base Rate + 8.50%)	4/30/2020	25,000	24,771	25,953	4.04%
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%	1/15/2018	24,500	24,770	24,010	3.74%
Aderant North America, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	6/20/2019	22,500	22,191	23,119	3.60%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien (3)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,724	20,333	3.17%
Merrill Communications LLC							
Business Services	First lien (3)	7.31% (Base Rate + 6.20%)	3/8/2018	19,900	19,708	20,033	3.12%
First American Payment Systems, L.P.							
Business Services	Second lien (3)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,642	19,988	3.11%
Six3 Systems, Inc.							
Federal Services	First lien (3)	7.00% (Base Rate + 5.75%)	10/4/2019	19,850	19,674	19,974	3.11%
eResearchTechnology, Inc.							
Healthcare Services	First lien (3)	6.00% (Base Rate + 4.75%)	5/2/2018	19,800	19,061	19,899	3.10%
Distribution International, Inc.							
Distribution & Logistics	First lien (2)	7.50% (Base Rate + 6.50%)	7/16/2019	19,950	19,562	19,862	3.09%
ARSloane Acquisition, LLC							
Business Services	First lien (2)	7.50% (Base Rate + 6.25%)	10/1/2019	20,000	19,800	19,800	3.09%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien (2)	9.75% (Base Rate + 8.75%)	11/4/2021	20,000	19,600	19,600	3.05%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien (3)	13.25% (Base Rate + 11.75%)	8/25/2017	$ 19,310	$ 18,738	$ 19,214	2.99%
St. George's University Scholastic Services LLC							
Education	First lien (3)	8.50% (Base Rate + 7.00%)	12/20/2017	11,947	11,733	12,052	
	First lien (2)	8.50% (Base Rate + 7.00%)	12/20/2017	6,391	6,280	6,447	
				18,338	18,013	18,499	2.88%
PODS, Inc. (6)							
Consumer Services							
PODS Funding Corp. II	First lien (3)	7.25% (Base Rate + 6.00%)	11/29/2016	12,575	12,323	12,606	
Storapod Holding Company, Inc.	Subordinated (2)	21.00% PIK*	11/29/2017	5,460	5,334	5,460	
				18,035	17,657	18,066	2.82%
Ascensus, Inc.							
Business Services	First lien (3)	8.00% (Base Rate + 6.75%)	12/21/2018	16,873	16,568	17,125	2.67%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (3)	7.50% (Base Rate + 6.00%)	4/21/2017	18,527	18,323	16,674	2.60%
IG Investments Holdings, LLC							
Business Services	Second lien (3)	10.25% (Base Rate + 9.00%)	10/31/2020	15,000	14,861	15,075	2.35%
Confie Seguros Holding II Co.							
Consumer Services	Second lien (3)	10.25% (Base Rate + 9.00%)	5/8/2019	8,906	8,769	8,970	
	Second lien (2)	10.25% (Base Rate + 9.00%)	5/8/2019	5,979	5,988	6,021	
				14,885	14,757	14,991	2.34%
OpenLink International, Inc.							
Software	First lien (3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,738	14,522	14,793	2.31%
KPLT Holdings, Inc. (Centerplate, Inc., et al.)							
Consumer Services	Subordinated (2)	11.75% (10.25% + 1.50% PIK)*	4/16/2019	14,802	14,539	14,576	2.27%
Smile Brands Group Inc.							
Healthcare Services	First lien (2)	7.50% (Base Rate + 6.25%)	8/16/2019	14,500	14,297	14,337	2.23%
Aspen Dental Management, Inc.							
Healthcare Services	First lien (3)	7.00% (Base Rate + 5.50%)	10/6/2016	14,757	14,500	14,241	2.22%
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,850	14,222	2.22%
Packaging Coordinators, Inc. (10)							
Healthcare Products	Second lien (2)	9.50% (Base Rate + 8.25%)	11/10/2020	14,000	13,865	14,000	2.18%
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated (2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000	11,692	12,570	1.96%
Van Wagner Communications, LLC							
Media	First lien (2)	6.25% (Base Rate + 5.00%)	8/3/2018	11,821	11,633	12,087	1.88%
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000	11,927	11,850	1.85%
Vertafore, Inc.							
Software	Second lien (2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000	9,933	10,215	1.59%
TransFirst Holdings, Inc.							
Business Services	Second lien (3)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000	9,731	10,163	1.58%
Mailsouth, Inc.							
Media	First lien (3)	6.75% (Base Rate + 5.00%)	12/14/2016	9,792	9,705	9,450	1.47%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien (3)	7.25% (Base Rate + 5.50%)	12/22/2016	13,598	13,481	8,838	1.38%

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Consona Holdings, Inc.							
Software	First lien (3)	7.25% (Base Rate + 6.00%)	8/6/2018	$ 8,415	$ 8,345	$ 8,436	1.32%
Physio-Control International, Inc.							
Healthcare Products	First lien (2)	9.88%	1/15/2019	6,651	6,651	7,482	1.17%
Alion Science and Technology Corporation							
Federal Services	First lien (2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,383	6,271	6,426	1.00%
Immucor, Inc.							
Healthcare Services	Subordinated (2)(7)	11.13%	8/15/2019	5,000	4,948	5,525	0.86%
GCA Services Group, Inc.							
Business Services	Second lien (2)	9.25% (Base Rate + 8.00%)	11/1/2020	5,000	4,954	5,096	0.79%
Education Management LLC**							
Education	First lien (3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,017	4,896	4,930	0.77%
Learning Care Group (US), Inc.							
Education	Subordinated (2)	15.00% PIK*	5/8/2020	4,066	3,944	4,066	
	Subordinated (2)	15.00% PIK*	5/8/2020	744	689	744	
				4,810	4,633	4,810	0.75%
Brickman Group Holdings, Inc.							
Business Services	Subordinated (2)	9.13%	11/1/2018	3,650	3,371	3,924	0.61%
ATI Acquisition Company (fka Ability Acquisition, Inc.) (11)							
Education	First lien (2)	12.25% (Base Rate + 5.00% + 4.00% PIK) (5)*	12/30/2014	4,432	4,306	—	
	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (5)*	6/30/2012 - Past Due	1,665	1,434	233	
	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (5)*	6/30/2012 - Past Due	103	94	103	
				6,200	5,834	336	0.05%
Total Funded Debt Investments - United States				**$ 982,732**	**$ 966,323**	**$ 975,117**	**151.93%**
Total Funded Debt Investments				**$ 1,019,229**	**$ 1,002,086**	**$ 1,012,024**	**157.68%**
Equity - Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Information Technology	Ordinary shares (2)	—	—	156,247	$ 65	$ 25	
	Preferred shares (2)	—	—	35,558	15	6	
					80	31	0.01%
Total Shares - Bermuda					**$ 80**	**$ 31**	**0.01%**
Equity - United States							
Black Elk Energy Offshore Operations, LLC							
Energy	Preferred shares (2)	17.00%	—	20,000,000	$ 20,000	$ 20,000	3.11%
Global Knowledge Training LLC							
Education	Ordinary shares (2)	—	—	2	2	3	
	Preferred shares (2)	—	—	2,423	1,193	3,039	
					1,195	3,042	0.48%
Packaging Coordinators, Inc. (10)							
Packaging Coordinators Holdings, LLC							
Healthcare Products	Ordinary shares (2)	—	—	19,427	1,000	1,000	0.16%

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Ancora Acquisition LLC (11)							
Education	Preferred shares (2)	—	—	372	$ 83	$ 83	0.01 %
Total Shares - United States					**$ 22,278**	**$ 24,125**	**3.76 %**
Total Shares					**$ 22,358**	**$ 24,156**	**3.77 %**
Warrants - United States							
Learning Care Group (US), Inc.							
Education	Warrants (2)	—	—	844	$ 194	$ 522	
	Warrants (2)	—	—	3,589	61	2,218	
					255	2,740	0.43 %
YP Holdings LLC (8)							
YP Equity Investors LLC							
Media	Warrants (2)	—	—	5	—	1,634	0.25 %
Unitek Global Services, Inc.							
Business Services	Warrants (2)	—	—	1,014,451	1,449	1,009	0.16 %
PODS, Inc. (6)							
Storapod Holding Company, Inc.							
Consumer Services	Warrants (2)	—	—	360,129	156	467	0.07 %
Alion Science and Technology Corporation							
Federal Services	Warrants (2)	—	—	6,000	293	189	0.03 %
Ancora Acquisition LLC (11)							
Education	Warrants (2)	—	—	20	—	—	— %
Total Warrants - United States					**$ 2,153**	**$ 6,039**	**0.94 %**
Total Funded Investments					**$ 1,026,597**	**$ 1,042,219**	**162.39 %**
Unfunded Debt Investments - United States							
Advantage Sales & Marketing Inc.							
Business Services	First lien (2)(9) - Undrawn	—	12/17/2015	$ 10,500	$ (1,260)	$ (787)	(0.12)%
Total Unfunded Debt Investments				**$ 10,500**	**$ (1,260)**	**$ (787)**	**(0.12)%**
Total Investments					**$ 1,025,337**	**$ 1,041,432**	**162.27 %**

(1) New Mountain Finance Holdings, L.L.C. (the "Operating 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 Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian. See Note 7, *Borrowing Facilities*, for details.

(3) Investment is pledged as collateral for the SLF Credit Facility, a revolving credit facility among New Mountain Finance SPV Funding, L.L.C. as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian. See Note 7, *Borrowing Facilities*, for details.

(4) The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5) Investment is on non-accrual status.

(6) The Operating Company holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7) Securities are registered under the Securities Act.

(8) The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating 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, a subsidiary of YP Holdings LLC.

(9) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.

(10) The Operating Company holds investments in Packaging Coordinators, Inc. and one related entity of Packaging Coordinators, Inc. The Operating Company has a credit investment in Packaging Coordinators, Inc. and holds ordinary equity in Packaging Coordinators Holdings, LLC, a wholly-owned subsidiary of Packaging Coordinators, Inc.

(11) The Operating Company holds investments in ATI Acquisition Company and Ancora Acquisition LLC. The Operating Company has credit investments in ATI Acquisition Company and preferred equity and warrants to purchase units of common membership interests of Ancora Acquisition LLC. The Operating Company received its investments in Ancora Acquisition LLC as a result of its investments in ATI Acquisition Company.

* All or a portion of interest contains payments-in-kind (“PIK”).

** Indicates assets that the Operating Company deems to be “non-qualifying assets” under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company’s total assets at the time of acquisition of any additional non-qualifying assets.

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

September 30, 2013
(in thousands, except shares)
(unaudited)

Investment Type	September 30, 2013 Percent of Total Investments at Fair Value
First lien	51.20 %
Second lien	41.40 %
Subordinated	4.50 %
Equity and other	2.90 %
Total investments	100.00 %

Industry Type	September 30, 2013 Percent of Total Investments at Fair Value
Software	20.76 %
Business Services	17.40 %
Education	16.61 %
Federal Services	10.12 %
Distribution & Logistics	7.53 %
Healthcare Services	7.07 %
Media	4.82 %
Consumer Services	4.62 %
Energy	4.22 %
Healthcare Products	4.00 %
Industrial Services	1.37 %
Healthcare Information Technology	0.85 %
Information Technology	0.63 %
Total investments	100.00 %

Interest Rate Type	September 30, 2013 Percent of Total Investments at Fair Value
Floating rates	88.01 %
Fixed rates	11.99 %
Total investments	100.00 %

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments—Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien(2)(7)	12.00%	3/29/2015	$ 6,664	$ 6,396	$ 6,631	1.16%
Total Funded Debt Investments—Bermuda				**$ 6,664**	**$ 6,396**	**$ 6,631**	**1.16%**
Funded Debt Investments—Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	First lien(3)	6.50% (Base Rate + 5.25%)	7/30/2019	$ 2,992	$ 2,971	$ 2,999	
	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	30,000	29,420	30,488	
				32,992	32,391	33,487	5.88%
Total Funded Debt Investments—Cayman Islands				**$ 32,992**	**$ 32,391**	**$ 33,487**	**5.88%**
Funded Debt Investments—United Kingdom							
Magic Newco, LLC**							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/12/2018	$ 14,963	$ 14,543	$ 15,105	2.65%
Total Funded Debt Investments—United Kingdom				**$ 14,963**	**$ 14,543**	**$ 15,105**	**2.65%**
Funded Debt Investments—United States							
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	5/17/2018	$ 11,700	$ 11,378	$ 11,744	
	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150	28,604	28,567	
				40,850	39,982	40,311	7.07%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	7,700	7,560	7,785	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	24,000	23,326	23,560	
				31,700	30,886	31,345	5.50%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,711	30,933	5.43%
Pharmaceutical Research Associates, Inc.							
Healthcare Services	Second lien(2)	10.50% (Base Rate + 9.25%)	6/10/2019	30,000	29,402	30,319	5.32%
UniTek Global Services, Inc.							
Business Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	19,650	19,202	19,331	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	5,970	5,798	5,873	
	First lien(2)	9.00% (Base Rate + 7.50%)	4/16/2018	4,963	4,781	4,882	
				30,583	29,781	30,086	5.28%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(3)	7.25% (Base Rate + 6.00%)	11/13/2017	20,000	19,608	19,900	
	First lien(2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,000	9,703	9,950	
				30,000	29,311	29,850	5.24%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Global Knowledge Training LLC							
Education	First lien(3)	6.50% (Base Rate + 4.99%)	4/21/2017	$ 4,776	$ 4,718	$ 4,705	
	First lien(3)	7.25% (Base Rate + 4.00%)	4/21/2017	1,174	1,159	1,156	
	Second lien(2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250	23,814	23,755	
				30,200	29,691	29,616	5.20%
Managed Health Care Associates, Inc.							
Healthcare Services	First lien(2)	3.47% (Base Rate + 3.25%)	8/1/2014	14,756	13,240	14,276	
	Second lien(2)	6.72% (Base Rate + 6.50%)	2/1/2015	15,000	12,790	14,475	
				29,756	26,030	28,751	5.05%
Transtar Holding Company							
Distribution & Logistics (10)	Second lien(2)	9.75% (Base Rate + 8.50%)	10/9/2019	28,300	27,787	28,654	5.03%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.50% (Base Rate + 6.00%)	7/29/2017	8,150	8,084	8,171	
	Second lien(2)	11.50% (Base Rate + 10.00%)	1/29/2018	20,000	19,747	20,000	
				28,150	27,831	28,171	4.94%
Kronos Incorporated							
Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	25,000	24,753	25,125	4.41%
St. George's University Scholastic Services LLC							
Education	First lien(2)	8.50% (Base Rate + 7.00%)	12/20/2017	25,000	24,501	24,500	4.30%
SRA International, Inc.							
Federal Services	First lien(3)	6.50% (Base Rate + 5.25%)	7/20/2018	20,436	19,741	19,542	
	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	4,315	4,225	4,126	
				24,751	23,966	23,668	4.15%
Aderant North America, Inc.							
Software	Second lien(2)	11.00% (Base Rate + 7.75%)	6/20/2019	22,500	22,163	23,062	4.05%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien(2)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,704	20,150	3.54%
Learning Care Group (US), Inc.							
Education	First lien(2)	12.00%	4/27/2016	17,369	17,174	16,696	
	Subordinated(2)	15.00% PIK*	6/30/2016	3,782	3,639	3,434	
				21,151	20,813	20,130	3.53%
Six3 Systems, Inc.							
Federal Services	First lien(2)	7.00% (Base Rate + 5.75%)	10/4/2019	20,000	19,805	20,025	3.51%
First American Payment Systems, L.P.							
Business Services	Second lien(2)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,609	19,900	3.49%
eResearchTechnology, Inc.							
Healthcare Services	First lien(3)	8.00% (Base Rate + 6.50%)	5/2/2018	19,950	19,202	19,850	3.48%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(2)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,659	19,503	3.42%
Transplace Texas, L.P.							
Distribution & Logistics (10)	Second lien(2)	11.00% (Base Rate + 9.00%)	4/12/2017	20,000	19,586	19,500	3.42%
PODS, Inc.(6)							
Consumer Services							
PODS Funding Corp. II	First lien(3)	7.25% (Base Rate + 6.00%)	11/29/2016	14,007	13,668	13,972	
Storapod Holding Company, Inc.	Subordinated(2)	21.00% PIK*	11/29/2017	5,296	5,156	5,113	
				19,303	18,824	19,085	3.35%
Smile Brands Group Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.25%)	12/21/2017	19,859	19,598	18,767	3.29%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Ascensus, Inc.							
Business Services	First lien(2)	8.00% (Base Rate + 6.75%)	12/21/2018	$ 8,500	$ 8,330	$ 8,330	
	First lien(3)	8.00% (Base Rate + 6.75%)	12/21/2018	8,500	8,330	8,330	
				17,000	16,660	16,660	2.92%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/21/2017	15,758	15,644	15,600	2.74%
IG Investments Holdings, LLC							
Business Services	Second lien(2)	10.25% (Base Rate + 9.00%)	10/31/2020	15,000	14,852	14,925	2.62%
OpenLink International, Inc.							
Software	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,850	14,600	14,850	2.61%
Landslide Holdings, Inc. (Crimson Acquisition Corp.)							
Software	First lien(3)	7.00% (Base Rate + 5.75%)	6/19/2018	14,625	14,353	14,671	2.57%
KPLT Holdings, Inc. (Centerplate, Inc., et al.)							
Consumer Services	Subordinated(2)	11.75% (10.25% + 1.50% PIK)*	4/16/2019	14,637	14,351	14,344	2.52%
Sabre Inc.							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	12/29/2017	13,965	13,918	14,186	2.49%
Brock Holdings III, Inc.							
Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,825	14,105	2.48%
Triple Point Technology, Inc.							
Software	First lien(3)	6.25% (Base Rate + 5.00%)	10/27/2017	12,968	12,549	13,021	2.28%
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000	11,666	12,765	2.24%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	12,870	12,652	12,210	2.14%
Van Wagner Communications, LLC							
Media	First lien(2)	8.25% (Base Rate + 7.00%)	8/3/2018	12,000	11,772	12,160	2.13%
Supervalu Inc.**							
Retail	First lien(2)	8.00% (Base Rate + 6.75%)	8/30/2018	11,940	11,597	12,146	2.13%
Vision Solutions, Inc.							
Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	12,000	11,913	11,700	2.05%
Merrill Communications LLC							
Business Services	First lien(2)	10.75% (Base Rate + 7.50%)	3/10/2013	11,422	11,421	11,279	1.98%
Mailsouth, Inc.							
Media	First lien(3)	6.75% (Base Rate + 5.00%)	12/14/2016	11,136	11,018	11,025	1.94%
Immucor, Inc.							
Healthcare Services	First lien(3)	5.75% (Base Rate + 4.50%)	8/19/2018	4,938	4,772	5,006	
	Subordinated(2)(7)	11.13%	8/15/2019	5,000	4,943	5,650	
				9,938	9,715	10,656	1.87%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien(3)	7.75% (Base Rate + 4.50%)	12/22/2016	14,702	14,550	10,291	1.81%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(3)	9.00% (Base Rate + 7.25%)	3/15/2017	10,072	9,852	10,072	1.77%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2012
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Vertafore, Inc.							
Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	$ 10,000	$ 9,924	$ 10,050	1.76%
Merge Healthcare Inc.**							
Healthcare Services	First lien(2)(7)	11.75%	5/1/2015	9,000	8,916	9,709	1.70%
TransFirst Holdings, Inc.							
Business Services	Second lien(2)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000	9,700	9,700	1.70%
Consona Holdings, Inc.							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	8/6/2018	8,479	8,398	8,511	1.49%
Confie Seguros Holding II Co.							
Consumer Services	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	8,000	7,842	8,040	1.41%
Physio-Control International, Inc.							
Healthcare Products	First lien(2)	9.88%	1/15/2019	7,000	7,000	7,717	1.35%
Surgery Center Holdings, Inc.							
Healthcare Services	First lien(3)	6.50% (Base Rate + 5.00%)	2/6/2017	6,834	6,809	6,800	1.19%
Research Pharmaceutical Services, Inc.							
Healthcare Services	First lien(3)	6.75% (Base Rate + 5.25%)	2/18/2017	7,125	7,046	6,662	1.17%
Alion Science and Technology Corporation							
Federal Services	First lien(2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,320	6,131	6,093	1.07%
GCA Services Group, Inc.							
Business Services	Second lien(2)	9.25% (Base Rate + 8.00%)	11/1/2020	5,000	4,951	4,900	0.86%
Education Management LLC**							
Education	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,058	4,921	4,232	0.74%
Brickman Group Holdings, Inc.							
Business Services	Subordinated(2)	9.13%	11/1/2018	3,650	3,342	3,842	0.68%
Ozburn-Hessey Holding Company LLC							
Distribution & Logistics (10)	Second lien(2)	11.50% (Base Rate + 9.50%)	10/10/2016	4,000	3,947	3,680	0.65%
YP Holdings LLC(8)							
YP Intermediate Holdings Corp. / YP Intermediate Holdings II LLC							
Media	Second lien(2)	15.00% (12.00% + 3.00% PIK)*	5/18/2017	3,559	3,326	3,586	0.63%
Mach Gen, LLC							
Power Generation	Second lien(2)	7.82% PIK (Base Rate + 7.50%)*	2/22/2015	3,676	3,474	2,396	0.42%
ATI Acquisition Company (fka Ability Acquisition, Inc.)							
Education	First lien(2)	12.25% (Base Rate + 5.00% + 4.00% PIK)(5)*	12/30/2014	4,432	4,306	—	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012— Past Due	1,665	1,517	649	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012— Past Due	103	94	103	
				6,200	5,917	752	0.13%
Airvana Network Solutions Inc.							
Software	First lien(2)	10.00% (Base Rate + 8.00%)	3/25/2015	648	640	650	0.11%
Total Funded Debt Investments—United States				**$ 942,670**	**$ 921,787**	**$ 925,287**	**162.35%**
Total Funded Debt Investments				**$ 997,289**	**$ 975,117**	**$ 980,510**	**172.04%**

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Equity—Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Information Technology	Ordinary shares(2)	—	—	144,270	$ 65	$ 65	
	Preferred shares(2)	—	—	32,830	15	15	
					80	80	0.01 %
Total Shares—Bermuda					**$ 80**	**$ 80**	**0.01 %**
Equity—United States							
Global Knowledge Training LLC							
Education	Ordinary shares(2)	—	—	2	$ 2	$ 2	
	Preferred shares(2)	—	—	2,423	1,195	2,423	
					1,197	2,425	0.43 %
Total Shares—United States					**$ 1,197**	**$ 2,425**	**0.43 %**
Total Shares					**$ 1,277**	**$ 2,505**	**0.44 %**
Warrants—United States							
YP Holdings LLC(8)							
YP Equity Investors LLC							
Media	Warrants(2)	—	—	5	$ 466	$ 7,230	1.27 %
Alion Science and Technology Corporation							
Federal Services	Warrants(2)	—	—	6,000	293	192	0.03 %
PODS, Inc.(6)							
Storapod Holding Company, Inc.							
Consumer Services	Warrants(2)	—	—	360,129	156	156	0.03 %
Learning Care Group (US), Inc.							
Education	Warrants(2)	—	—	844	194	14	— %
Total Warrants—United States					**$ 1,109**	**$ 7,592**	**1.33 %**
Total Funded Investments					**$ 977,503**	**$ 990,607**	**173.81 %**
Unfunded Debt Investments—United States							
Advantage Sales & Marketing Inc.							
Business Services	First lien(2)(9)—Undrawn	—	12/17/2015	$ 10,500	$ (1,260)	$ (787)	(0.14)%
Total Unfunded Debt Investments				**$ 10,500**	**$ (1,260)**	**$ (787)**	**(0.14)%**
Total Investments					**$ 976,243**	**$ 989,820**	**173.67 %**

(1) New Mountain Finance Holdings, L.L.C. (the "Operating 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) The Holdings Credit Facility is collateralized by the indicated investments.

(3) The SLF Credit Facility is collateralized by the indicated investments.

(4) The Operating Company holds investments in two related entities of Stratus Technologies Bermuda Holdings, Ltd. ("Stratus Holdings"). The Operating Company directly holds ordinary and preferred equity in Stratus Holdings and has a credit investment in the joint issuers of Stratus Technologies Bermuda Ltd. ("Stratus Bermuda") and Stratus Technologies, Inc. ("Stratus U.S."), collectively, the "Stratus Notes". Stratus U.S. is a wholly-owned subsidiary of Stratus Bermuda, which in turn is a wholly-owned subsidiary of Stratus Holdings. Stratus Holdings is the parent guarantor of the credit investment of the Stratus Notes.

(5) Investment is on non-accrual status.

(6) The Operating Company holds investments in two related entities of PODS, Inc. The Operating Company directly holds warrants in Storapod Holding Company, Inc. ("Storapod") and has a credit investment in Storapod through Storapod WCF II Limited ("Storapod WCF II"). Storapod WCF II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with Storapod. Additionally, the Operating Company has a credit investment in PODS Funding Corp. II ("PODS II"). PODS, Inc. is a wholly-owned subsidiary of PODS Holding, Inc., which in turn is a majority-owned subsidiary of Storapod. PODS II is a special purpose entity used to enter into a Shari'ah-compliant financing arrangement with PODS, Inc. and its subsidiary, PODS Enterprises, Inc.

(7) Securities are registered under the Securities Act.

(8) The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating 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 Intermediate Holdings Corp. and YP Intermediate Holdings II LLC (together "YP Intermediate"), a subsidiary of YP Holdings LLC.

(9) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers.

(10) Industries were disclosed separately in previously issued financial statements.

* All or a portion of interest contains payments-in-kind ("PIK").

** Indicates assets that the Operating Company deems to be "non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Operating Company's total assets at the time of acquisition of any additional non-qualifying assets.

(in thousands, except shares)

Investment Type	December 31, 2012 Percent of Total Investments at Fair Value
First lien	49.86 %
Second lien	44.56 %
Subordinated	4.56 %
Equity and other	1.02 %
Total investments	100.00 %

Industry Type	December 31, 2012 Percent of Total Investments at Fair Value
Software	24.92 %
Education	15.17 %
Healthcare Services	14.52 %
Business Services	14.49 %
Federal Services	9.64 %
Distribution & Logistics (1)	5.23 %
Consumer Services	4.21 %
Media	3.44 %
Healthcare Products	2.75 %
Industrial Services	1.42 %
Retail	1.23 %
Healthcare Information Technology	1.04 %
Energy	1.02 %
Information Technology	0.68 %
Power Generation	0.24 %
Total investments	100.00 %

(1) Industries were disclosed separately in previously issued financial statements.

New Mountain Finance Corporation

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

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $534,040 and $335,730, respectively)	$ 547,722	$ 341,926
Distribution receivable from New Mountain Finance Holdings, L.L.C.	—	3,405
Total assets	$ 547,722	$ 345,331
Liabilities		
Dividends payable	—	3,405
Total liabilities	—	3,405
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 authorized, none issued	—	—
Common stock, par value $0.01 per share, 100,000,000 shares authorized, and 38,259,921 and 24,326,251 shares issued and outstanding, respectively	383	243
Paid in capital in excess of par	533,657	335,487
Accumulated undistributed net realized gains	7,725	952
Net unrealized appreciation (depreciation)	5,957	5,244
Total net assets	$ 547,722	$ 341,926
Total liabilities and net assets	$ 547,722	$ 345,331
Number of shares outstanding	38,259,921	24,326,251
Net asset value per share	$ 14.32	$ 14.06

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

New Mountain Finance Corporation

Statements of Operations
(in thousands, except shares and per share data)
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Net investment income allocated from New Mountain Finance Holdings, L.L.C.				
Interest income	$ 23,190	$ 9,563	$ 59,220	$ 22,961
Dividend income	(1,391)	96	3,334	96
Other income	213	83	1,539	289
Total expenses	(11,209)	(5,169)	(28,398)	(11,314)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	10,803	4,573	35,695	12,032
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.				
Net realized gains on investments	4,403	700	7,567	5,189
Net change in unrealized appreciation (depreciation) of investments	2,269	4,725	753	4,800
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	6,672	5,425	8,320	9,989
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	17,475	9,998	44,015	22,021
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(8)	(43)	(40)	(43)
Net increase in net assets resulting from operations	$ 17,467	$ 9,955	$ 43,975	$ 21,978
Basic earnings per share	$ 0.46	$ 0.62	$ 1.38	$ 1.75
Weighted average shares of common stock outstanding—basic (See Note 11)	38,159,320	16,177,442	31,952,623	12,537,607
Diluted earnings per share	$ 0.46	$ 0.62	$ 1.40	$ 1.74
Weighted average shares of common stock outstanding—diluted (See Note 11)	44,731,258	36,138,511	42,847,638	32,671,954

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

New Mountain Finance Corporation

Statements of Changes in Net Assets
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	September 30, 2012
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 35,695	$ 12,032
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	7,567	5,189
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	753	4,800
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	(40)	(43)
Total net increase in net assets resulting from operations	43,975	21,978
Capital transactions		
Net proceeds from shares sold	57,020	82,300
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(203)	(211)
Value of shares issued for exchanged units	137,384	56,314
Dividends declared	(36,489)	(15,173)
Reinvestment of dividends	4,109	980
Total net increase in net assets resulting from capital transactions	161,821	124,210
Net increase in net assets	205,796	146,188
Net assets at beginning of period	341,926	145,487
Net assets at end of period	$ 547,722	$ 291,675

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

New Mountain Finance Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	**September 30, 2012**
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 43,975	$ 21,978
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(35,695)	(12,032)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(8,320)	(9,989)
Net change in unrealized depreciation (appreciation) of investment in New Mountain Finance Holdings, L.L.C.	40	43
(Increase) decrease in operating assets:		
Purchase of investment	(57,020)	(82,300)
Distributions from New Mountain Finance Holdings, L.L.C.	35,785	15,173
Net cash flows used in operating activities	(21,235)	(67,127)
Cash flows from financing activities		
Net proceeds from shares sold	57,020	82,300
Dividends paid	(35,785)	(15,173)
Net cash flows provided by financing activities	21,235	67,127
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	$ —	$ —
Non-cash financing activities:		
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	$ 137,384	$ 56,314
Value of shares issued in connection with dividend reinvestment plan	4,109	980
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(203)	(211)

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

New Mountain Finance AIV Holdings Corporation

Statements of Assets and Liabilities
(in thousands, except shares)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $98,820 and $244,015, respectively)	$ 94,083	$ 228,013
Distributions receivable from New Mountain Finance Holdings, L.L.C.	—	7,786
Total assets	$ 94,083	$ 235,799
Liabilities		
Dividends payable	—	7,786
Total liabilities	—	7,786
Net assets		
Common stock, par value $0.01 per share 100 shares issued and outstanding	— (1)	— (1)
Paid in capital in excess of par	98,820	244,015
Distributions in excess of net realized gains	(4,982)	(6,676)
Net unrealized appreciation (depreciation)	245	(9,326)
Total net assets	94,083	228,013
Total liabilities and net assets	$ 94,083	$ 235,799

(1) As of September 30, 2013 and December 31, 2012, the par value of the total common stock was $1.

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

New Mountain Finance AIV Holdings Corporation

Statements of Operations
(in thousands)
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net investment income allocated from New Mountain Finance Holdings, L.L.C.				
Interest income	$ 3,983	$ 11,799	$ 20,318	$ 37,126
Dividend income	(239)	119	1,468	119
Other income	36	91	387	480
Total expenses	(1,925)	(6,448)	(10,040)	(18,064)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	1,855	5,561	12,133	19,661
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.				
Net realized gains on investments	757	916	1,949	9,402
Net change in unrealized appreciation (depreciation) of investments	390	5,769	1,765	5,911
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	1,147	6,685	3,714	15,313
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	3,002	12,246	15,847	34,974
Net realized gains (losses) on investment in New Mountain Finance Holdings, L.L.C.	—	382	(10,451)	382
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	9	1,564	7,806	1,564
Net increase in net assets resulting from operations	$ 3,011	$ 14,192	$ 13,202	$ 36,920

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

New Mountain Finance AIV Holdings Corporation

Statements of Changes in Net Assets
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	**September 30, 2012**
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 12,133	$ 19,661
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	1,949	9,402
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	1,765	5,911
Net realized (losses) gains on investment in New Mountain Finance Holdings, L.L.C.	(10,451)	382
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	7,806	1,564
Total net increase in net assets resulting from operations	13,202	36,920
Capital transactions		
Distribution to New Mountain Guardian AIV, L.P.	(134,699)	(58,216)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	(45)	(166)
Dividends declared	(12,388)	(24,873)
Total net decrease in net assets resulting from capital transactions	(147,132)	(83,255)
Net decrease in net assets	(133,930)	(46,335)
Net assets at beginning of period	228,013	275,015
Net assets at end of period	$ 94,083	$ 228,680

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

New Mountain Finance AIV Holdings Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended	
	September 30, 2013	**September 30, 2012**
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 13,202	$ 36,920
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(12,133)	(19,661)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(3,714)	(15,313)
Net realized losses (gains) on investment in New Mountain Finance Holdings, L.L.C.	10,451	(382)
Net change in unrealized (appreciation) depreciation in New Mountain Finance Holdings, L.L.C.	(7,806)	(1,564)
(Increase) decrease in operating activities		
Distributions from New Mountain Finance Holdings, L.L.C.	20,174	24,873
Net cash flows provided by operating activities	20,174	24,873
Cash flows from financing activities		
Proceeds from shares sold	134,699	58,216
Distribution to New Mountain Guardian AIV, L.P.	(134,699)	(58,216)
Dividends paid	(20,174)	(24,873)
Net cash flows used in financing activities	(20,174)	(24,873)
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	$ —	$ —
Non-cash financing activities:		
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	$ (45)	$ (166)

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

The information in these combined notes to the financial statements relates to each of the three separate registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, the "Companies"). Information that relates to an individual registrant will be specifically referenced by the respective company. None of the Companies makes any representation as to the information related solely to the other registrants other than itself.

Note 1. Formation and Business Purpose

New Mountain Finance Holdings, L.L.C. (the "Operating Company" or the "Master Fund") is a Delaware limited liability company. The Operating Company is externally managed and has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company intends to be treated as a partnership for federal income tax purposes for so long as it has at least two members.

The Operating Company is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of 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 and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than $9.0 billion as of September 30, 2013. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, 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".

New Mountain Finance Corporation ("NMFC") is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be treated as a BDC under 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").

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

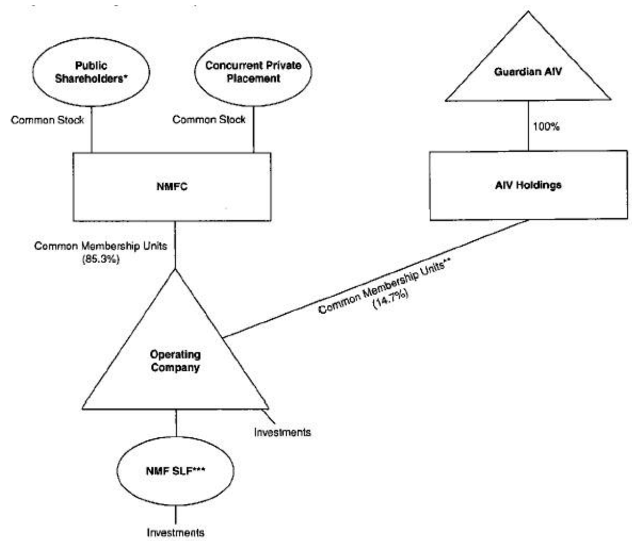
On May 19, 2011, NMFC priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common 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. In connection with NMFC's IPO and through a series of transactions, the Operating Company owns all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC and AIV Holdings each entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company, pursuant to which NMFC and AIV Holdings were admitted as members of the Operating Company. NMFC acquired from the Operating Company, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units ("units") of the Operating Company (the number of units are 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 the Operating Company 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 the Operating Company prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings has the right to exchange all or any portion of its units in the Operating Company for shares of NMFC's common stock on a one-for-one basis at any time.

During the quarter ended September 30, 2013, NMFC issued an additional 111,373 shares in conjunction with its dividend reinvestment plan at a weighted average price of $14.48. Since NMFC's IPO, and through September 30, 2013, NMFC raised approximately $190,448 in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $193,698 on behalf of AIV Holdings for exchanged units. NMFC acquired from the Operating Company units of the Operating Company equal to the number of shares of NMFC's common stock sold in the additional offerings. As of September 30, 2013, NMFC and AIV Holdings owned approximately 85.3% and 14.7%, respectively, of the units of the Operating Company.

The current 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 is that any distributions made to NMFC's stockholders that are attributable to such gains generally will not be treated as taxable dividends but rather as return of capital.

The diagram below depicts the Companies' organizational structure as of September 30, 2013.



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* Includes partners of New Mountain Guardian Partners, L.P.

** These common membership units are exchangeable into shares of NMFC common stock on a one-for-one basis.

*** New Mountain Finance SPV Funding, L.L.C. ("NMF SLF").

The Operating 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. In some cases, the Operating 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.

Note 2. Summary of Significant Accounting Policies

Basis of accounting—The Companies' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Operating Company consolidates its wholly-owned subsidiary, NMF SLF. NMFC and AIV Holdings do not consolidate the Operating Company. NMFC and AIV Holdings apply investment company master-feeder financial statement presentation, as described in Accounting Standards Codification 946, *Financial Services —Investment Companies*, ("ASC 946") to their interest in the Operating Company. NMFC and AIV Holdings observe that it is industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund is owned by more than one feeder fund and that such presentation provides stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the master fund.

The Companies' 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 Operating Company's portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Companies' interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, the Companies' interim financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2013.

Investments—The Operating 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 Operating Company's Consolidated Statements of Assets, Liabilities and Members' Capital at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Operating Company's Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Operating Company's Consolidated Statements of Operations as "Net realized gains (losses) on investments".

The Operating Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, the Operating 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 Operating 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 Operating Company looks at the number of quotes readily available and performs 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 the Operating 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 Operating Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Companies' board of directors; and

d. When deemed appropriate by the Operating 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.

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 Operating Company's investments may fluctuate from period to period and the fluctuations could be material.

NMFC and AIV Holdings are holding companies with no direct operations of their own, and their sole asset is their ownership in the Operating Company. NMFC's and AIV Holdings' investments in the Operating Company are carried at fair value and represent the respective pro-rata interest in the net assets of the Operating Company as of the applicable reporting date. NMFC and AIV Holdings value 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.

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Companies define 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. Generally, these securities have original maturities of three months or less.

Revenue recognition

The Operating Company's revenue recognition policies are as follows:

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

Interest 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 Operating Company has loans in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

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

Dividend income: Dividend income is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees and other miscellaneous fees received. 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 Operating 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 Operating Company for providing such commitments.

NMFC's and AIV Holdings' revenue recognition policies are as follows:

Revenue, expenses, and capital gains (losses): At each quarterly valuation date, the Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) are allocated to NMFC and AIV Holdings based on their pro-rata interest in the net assets of the Operating Company. This is recorded on NMFC's and AIV Holdings' Statements of Operations. Realized gains and losses are recorded upon sales of NMFC's and AIV Holdings' investments in the Operating Company. Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. is the difference between the net asset value per share and the closing price per share for shares issued as part of the dividend reinvestment plan on the dividend payment date. This net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C. includes the unrealized appreciation (depreciation) from the IPO. NMFC used the proceeds from its IPO and Concurrent Private Placement to purchase units in the Operating Company at $13.75 per unit (its IPO price per share). At the IPO date, $13.75 per unit represented a discount to the actual net asset value per unit of the Operating Company. As a result, NMFC experienced immediate unrealized appreciation on its investment. Concurrently, AIV Holdings experienced immediate unrealized depreciation on its investment in the Operating Company equal to the difference between NMFC's IPO price of $13.75 per unit and the actual net asset value per unit.

All expenses, including those of NMFC and AIV Holdings, are paid and recorded by the Operating Company. Expenses are allocated to NMFC and AIV Holdings based on pro-rata ownership interest. In addition, the Operating Company paid all of the offering costs related to the IPO and subsequent offerings. NMFC and AIV Holdings have recorded their portion of the offering costs as a direct reduction to net assets and the cost of their investment in the Operating Company.

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for AIV Holdings' units of the Operating Company, AIV Holdings is directly responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration expenses.

Interest and other credit facility expenses—Interest and other credit facility fees are recorded on an accrual basis by the Operating Company. See Note 7,*Borrowing Facilities*, for details.

Deferred credit facility costs—The deferred credit facility costs of the Operating Company consist of capitalized expenses related to the origination and amending of the Operating Company's existing credit facilities. The Operating Company amortizes these costs into expense using the straight-line method over the stated life of the related credit facility. See Note 7, *Borrowing Facilities*, for details.

Income taxes—The Operating Company is treated as a partnership for federal income tax purposes and as such is generally not subject to federal or state and local income taxes except with respect to state source income received from underlying flow-through investments. The partners are individually responsible for reporting income or loss based on their respective share of the revenues and expenses. The Operating Company files United States ("U.S.") federal, state, and local income tax returns.

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to qualify annually, as RICs under subchapter M of the Code. As RICs, NMFC and AIV Holdings are not subject to federal income tax on the portion of taxable income and gains timely distributed to stockholders; therefore, no provision for income taxes has been recorded.

To continue to qualify as RICs, NMFC and AIV Holdings are required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of their respective investment company taxable income, as defined by the Code. Since 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 federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

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

The Companies have adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on their analyses, the Companies have determined that there were no material uncertain income tax positions through December 31, 2012. The 2011 and 2012 tax years remain subject to examination by U.S. federal, state, and local tax authorities.

Dividends—Distributions to common unit holders of the Operating Company and common stockholders of NMFC and AIV Holdings are recorded on the record date as set by the respective board of directors. In order for NMFC and AIV Holdings to pay a dividend or other distribution to holders of their common stock, it must be accompanied by a prior distribution by the Operating Company to all of its unit holders. The Operating Company intends to make distributions to its unit holders that will be sufficient to enable NMFC and AIV Holdings to pay quarterly distributions to their stockholders and to maintain their status as RICs. NMFC and AIV Holdings intend to distribute approximately all of their portion of the Operating Company's adjusted net investment income (see Note 5, *Agreements*) on a quarterly basis and substantially all of their portion of the Operating Company's taxable income on an annual basis, except that NMFC may retain certain net capital gains for reinvestment.

Under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as a dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV. AIV Holdings intends to make quarterly distributions to Guardian AIV, its sole stockholder, out of assets legally available for distribution each quarter.

The Operating Company and NMFC are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. NMFC 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. Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of the Operating Company. In addition, AIV Holdings does not intend to reinvest any distributions received from the Operating Company in additional units of the Operating Company.

NMFC 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 greater than 110.0% of the last determined net asset value of the shares, NMFC 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 NMFC'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 asked prices. If NMFC uses newly issued shares to implement the plan, NMFC will receive, on a one-for-one basis, additional units of the Operating Company in exchange for cash distributions that are reinvested in shares of NMFC's common stock under the dividend reinvestment plan.

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, NMFC 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 NMFC'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 NMFC's stockholders have been tabulated.

Foreign securities—The accounting records of the Operating 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 Operating 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 Operating 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 Operating Company and cannot be predicted.

Use of estimates—The preparation of the Companies' 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 Companies' 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 three months ended September 30, 2013, the Operating Company changed an accounting estimate related to the classification of dividend income for a distribution recorded in the prior quarter from one of the Operating Company's warrant investments. Based on tax projections received during the three months ended September 30, 2013, the Operating Company reduced the warrant cost basis by $466 and corresponding dividend income previously recorded by $1,799, and recorded a realized gain of $1,333 to agree to the tax treatment on the investment. This resulted in a reclass of $360 from incentive fee to capital gains incentive fee.

Note 3. Investments

At September 30, 2013 the Operating Company’s investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 535,075	$ 533,259
Second lien	421,234	431,113
Subordinated	44,517	46,865
Equity and other	24,511	30,195
Total investments	$ 1,025,337	$ 1,041,432

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 211,384	$ 216,241
Business Services	176,706	181,196
Education	168,797	173,008
Federal Services	105,626	105,392
Distribution & Logistics	76,755	78,428
Healthcare Services	72,406	73,602
Media	47,814	50,155
Consumer Services	47,109	48,100
Energy	44,770	44,010
Healthcare Products	40,254	41,696
Industrial Services	13,850	14,222
Healthcare Information Technology	13,481	8,838
Information Technology	6,385	6,544
Total investments	$ 1,025,337	$ 1,041,432

At December 31, 2012 the Operating Company’s investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 496,931	$ 493,502
Second lien	433,829	441,073
Subordinated	43,097	45,148
Equity and other	2,386	10,097
Total investments	$ 976,243	$ 989,820

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 241,742	$ 246,696
Education	155,047	150,151
Healthcare Services	139,370	143,724
Business Services	140,426	143,420
Federal Services	95,150	95,428
Distribution & Logistics (1)	51,320	51,834
Consumer Services	41,173	41,625
Media	26,582	34,001
Healthcare Products	25,659	27,220
Industrial Services	13,825	14,105
Retail	11,597	12,146
Healthcare Information Technology	14,550	10,291
Energy	9,852	10,072
Information Technology	6,476	6,711
Power Generation	3,474	2,396
Total investments	$ 976,243	$ 989,820

(1) Industries were disclosed separately in previously issued financial statements.

As of September 30, 2013, the Operating Company's first lien positions in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. During the three months ended September 30, 2013, the Operating Company received preferred shares and warrants in Ancora Acquisition LLC, in relation to the two super priority first lien positions in ATI Acquisition Company. As of September 30, 2013, the Operating Company's investment had an aggregate cost basis of $5,917, an aggregate fair value of $419 and total unearned interest income of $241 and $709, respectively, for the three and nine months then ended. As of December 31, 2012, the Operating Company's original first lien position in ATI Acquisition Company was put on non-accrual status, with a cost basis of $4,306, a fair value of zero and total unearned interest income of $653 for the year then ended. The Operating Company's two super priority first lien debt investments in ATI Acquisition Company had a combined cost basis of $1,611 and a combined fair value of $752 as of December 31, 2012. During the third quarter of 2012, the Operating Company placed the super priority first lien positions on non-accrual status as well, resulting in total unearned interest income of $310 for the year ended December 31, 2012. As of December 31, 2012, the Operating Company's total investment in ATI Acquisition Company had an aggregate cost basis of $5,917 and an aggregate fair value of $752, putting the entire ATI Acquisition Company's investment on non-accrual status. As of September 30, 2013 and December 31, 2012, unrealized gains include a fee that the Operating Company would receive upon maturity of the two super priority first lien debt investments.

As of September 30, 2013, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $10,500 and $52,500, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of September 30, 2013. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of September 30, 2013.

As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $10,500 and $0, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of December 31, 2012. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of December 31, 2012.

Investment Risk Factors—First and second lien debt that the Operating Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. These loans 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 defaults could reduce the net asset value and income distributions of the Operating Company. 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 loans. 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.

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. Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("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 Operating 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 Operating Company, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Operating 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 (Levels I and II) and unobservable (Level III). 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 (Levels II and III) and unobservable inputs (Level III).

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. 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 quarter in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of September 30, 2013:

	Total	Level I	Level II	Level III
First lien	$ 533,259	$ —	$ 519,089	$ 14,170
Second lien	431,113	—	392,470	38,643
Subordinated	46,865	—	22,019	24,846
Equity and other	30,195	—	—	30,195
Total investments	$ 1,041,432	$ —	$ 933,578	$ 107,854

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2012:

	Total	Level I	Level II	Level III
First lien	$ 493,502	$ —	$ 450,617	$ 42,885
Second lien	441,073	—	397,818	43,255
Subordinated	45,148	—	22,257	22,891
Equity and other	10,097	—	—	10,097
Total investments	$ 989,820	$ —	$ 870,692	$ 119,128

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2013, 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 Operating Company at September 30, 2013:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2013	$ 113,201	$ 21,312	$ 38,527	$ 24,681	$ 28,681
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,398	66	—	—	1,332
Net change in unrealized appreciation (depreciation)	633	(41)	116	110	448
Purchases, including capitalized PIK and revolver fundings	1,503	(84)	—	55	1,532
Proceeds from sales and paydowns of investments	(8,881)	(7,083)	—	—	(1,798)
Fair value, September 30, 2013	$ 107,854	$ 14,170	$ 38,643	$ 24,846	$ 30,195
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 697	$ 23	$ 116	$ 110	$ 448

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2012, 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 Operating Company at September 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other	
Fair value, June 30, 2012	$ 106,374	$ 42,748	$ 53,275	$ 7,539	$ 2,812	
Total gains or losses included in earnings:						
Net realized gains (losses) on investments	106	106	—	—	—	
Net change in unrealized appreciation (depreciation)	3,161	51	—	—	3,110	
Purchases, including capitalized PIK and revolver fundings	11,460	11,460	—	—	—	
Proceeds from sales and paydowns of investments	(10,385)	(10,385)	—	—	—	
Transfers into Level III (1)	7,047	6,581	—	—	466	(2)
Transfers out of Level III (1)	(10,020)	—	(10,020)	—	—	
Fair value, September 30, 2012	$ 107,743	$ 50,561	$ 43,255	$ 7,539	$ 6,388	
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 3,161	$ 51	$ —	$ —	$ 3,110	

(1) As of September 30, 2012, 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 quarter in which the reclassifications occurred.

(2) This Level III transfer relates to the Operating Company's investment in warrants of YP Equity Investors LLC, which was valued with YP Holdings LLC's second lien debt as of June 30, 2012.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2013, 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 Operating Company at September 30, 2013:

	Total	First Lien	Second Lien	Subordinated	Equity and other (2)
Fair value, December 31, 2012	$ 119,128	$ 42,885	$ 43,255	$ 22,891	$ 10,097
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,975	263	380	—	1,332
Net change in unrealized (depreciation) appreciation	(150)	70	1,148	658	(2,026)
Purchases, including capitalized PIK and revolver fundings	37,761	11	13,860	1,297	22,593
Proceeds from sales and paydowns of investments	(57,434)	(35,633)	(20,000)	—	(1,801)
Transfers into Level III (1)	6,574	6,574	—	—	—
Fair value, September 30, 2013	$ 107,854	$ 14,170	$ 38,643	$ 24,846	$ 30,195
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ (945)	$ (605)	$ 1,027	$ 658	$ (2,025)

(1) As of September 30, 2013, the portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassifications occurred.

(2) During the nine months ended September 30, 2013, the Operating Company received dividends of $4,802 from its equity and other investments, which were recorded as dividend income. An estimate related to the tax characterization of this distribution was provided as of September 30, 2013.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2012, 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 Operating Company at September 30, 2012:

	Total	First Lien	Second Lien	Subordinated	Equity and other	
Fair value, December 31, 2011	$ 90,967	$ 33,141	$ 48,405	$ 6,571	$ 2,850	
Total gains or losses included in earnings:						
Net realized gains (losses) on investments	4,275	4,252	23	—	—	
Net change in unrealized (depreciation) appreciation	(1,001)	(3,851)	(173)	(22)	3,045	
Purchases, including capitalized PIK and revolver fundings	57,089	46,052	10,020	990	27	
Proceeds from sales and paydowns of investments	(29,502)	(24,502)	(5,000)	—	—	
Transfers into Level III (1)	7,047	6,581	—	—	466	(2)
Transfers out of Level III(1)	(21,132)	(11,112)	(10,020)	—	—	
Fair value, September 30, 2012	$ 107,743	$ 50,561	$ 43,255	$ 7,539	$ 6,388	
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 2,612	$ (410)	$ (1)	$ (22)	$ 3,045	

(1) As of September 30, 2012, 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 quarter in which the reclassifications occurred.

(2) This Level III transfer relates to the Operating Company's investment in warrants of YP Equity Investors LLC, which was valued with YP Holdings LLC's second lien debt as of June 30, 2012.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and nine months ended September 30, 2013 and September 30, 2012. Transfers into Level III occurred as quotations obtained through pricing services were not deemed representative of fair value as of the balance sheet date and such assets were internally valued. As quotations obtained through pricing services were substantiated through additional market sources, investments were transferred out of Level III. The Operating 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 Operating 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.

***Company Performance, Financial Review, and Analysis*.** Prior to investment, as part of its due diligence process, the Operating Company evaluates the overall performance and financial stability of the portfolio company. Post investment, the Operating 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 Operating 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 Operating

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 Operating Company will consider the pricing indicated by the external event to corroborate the private valuation.

Market Based Approach: The Operating Company typically estimates the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Operating 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, relevant risk factors, as well as size, profitability and growth expectations. The Operating Company generally applies an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. In applying the market based approach as of September 30, 2013, the Operating Company used the relevant EBITDA ranges set forth in the table below to determine the enterprise value of investments in six of its portfolio companies. The Operating Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Operating Company also typically uses 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. In applying the income based approach as of September 30, 2013, the Operating Company used the discount ranges set forth in the table below to value investments in eight of its portfolio companies.

			EBITDA Range			Discount Range		
Type	**Fair Value**	**Approach**	**Low**	**High**	**Weighted Average**	**Low**	**High**	**Weighted Average**
First lien	$ 14,170	Market and Income	4.0 x	6.5 x	5.3 x	5.5%	22.8%	16.0%
Second lien	38,643	Market and Income	4.0 x	7.5 x	5.8 x	10.1%	11.7%	11.0%
Subordinated	24,846	Market and Income	6.0 x	9.5 x	7.9 x	12.2%	21.8%	15.1%
Equity	24,156	Market and Income	4.0 x	8.0 x	5.6 x	8.0%	20.0%	16.3%

The Operating Company typically uses a Black Scholes analysis to fair value warrant investments. Input variables used in these analyses include, but are not limited to, stock price, exercise price, expiration date, valuation date, volatility, and discount rate. As of September 30, 2013, warrants had a fair value of $6,039, which have been excluded from the table above.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) are representative of market. The carrying values of the Holdings Credit Facility and SLF Credit Facility approximate fair value as of September 30, 2013, as both facilities are continually monitored and examined by both the borrower and the lender. Both facilities were amended and restated during the year ended December 31, 2012 to lower the applicable interest rate spread by 0.25% and to increase the maximum amount of revolving borrowings available under the respective facilities. Additionally for the nine months ended September 30, 2013, the Holdings Credit Facility was amended and restated to further increase the maximum amount of revolving borrowings available. See Note 7, *Borrowing Facilities*, for details. The fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items. The fair value disclosures discussed in this paragraph are considered Level III.

Fair value risk factors—The Operating Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Operating 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 Operating Company's investments and/or on the fair value of the Operating Company's investments. The Operating Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Operating Company and thus the income of NMFC and AIV Holdings, and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Operating Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

Note 5. Agreements

On May 19, 2011, NMFC entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which NMFC was admitted as a member of the Operating Company and agreed to acquire from the Operating Company a number of units of the Operating Company equal to the number of shares of common stock outstanding of NMFC. Additionally on May 19, 2011, in connection with the contribution by Guardian AIV of its units to AIV Holdings, AIV Holdings entered into a joinder agreement with respect to the Limited Liability Company Agreement, as amended and restated, of the Operating Company pursuant to which AIV Holdings was also admitted as a member of the Operating Company.

The Operating Company entered into an investment advisory and management agreement, as amended and restated (the "Investment Management Agreement") with the Investment Adviser. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Operating Company. For providing these services, the Investment Adviser receives a fee from the Operating Company, consisting of two components—a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.75% of the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) 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 Operating Company's gross assets, 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 incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Operating 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, diligence and consulting fees or other fees that the Operating Company receives from portfolio companies) accrued during the calendar quarter, minus the Operating Company's operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, as amended and restated, with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred membership units (of which there are none as of September 30, 2013), 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 Operating 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.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Operating Company's existing investments to fair market value at the IPO date. Since the total value of the 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. The Operating 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 Operating 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 Operating 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").

Pre-Incentive Fee Adjusted Net Investment Income, expressed as a rate of return on the value of the Operating 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 Operating 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 Operating 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 Operating 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 Operating 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 Operating Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.

- 20.0% of the amount of the Operating 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.

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 the Operating 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 Operating 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.

The Operating Company has revised its presentation of incentive fees on the Consolidated Statements of Assets, Liabilities and Members' Capital and the Consolidated Statements of Operations to disclose the two parts of the incentive fee incurred by the Operating Company for net investment income related incentive fees and capital gains related incentive fees.

The following table summarizes the management fees and incentive fees incurred by the Operating Company for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Management fee	$ 3,754	$ 2,768	$ 11,049	$ 7,887
Incentive fee, excluding accrued capital gains incentive fees	3,533	2,978	12,398	8,147
Accrued capital gains incentive fees(1)	1,587	2,583	2,568	3,547

(1) The accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on September 30, 2013 and September 30, 2012, respectively, and liquidated its investments at the valuations as of the respective quarter ends. Approximately $939 of capital gains incentive fees would be owed under the Investment Management Agreement if the Operating Company had ceased operations as of September 30, 2013, as cumulative net Adjusted Realized Capital Gains exceeded cumulative Adjusted Unrealized Capital Depreciation. As of September 30, 2012, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

The Operating 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 Statement of Operations for the three and nine months ended September 30, 2013 is adjusted to reflect this step-up to fair market value.

	Three months ended September 30, 2013	Adjustments	Adjusted three months ended September 30, 2013
Investment income			
Interest income (1)	$ 27,175	$ (111)	$ 27,064
Dividend income	(1,631)	—	(1,631)
Other income	249	—	249
Total investment income	25,793	(111)	25,682
Total net expenses pre-incentive fee (2)	8,014	—	8,014
Pre-Incentive Fee Net Investment Income	17,779	(111)	17,668
Incentive fee (3)	5,120	—	5,120
Post-Incentive Fee Net Investment Income	12,659	(111)	12,548
Net realized gains on investments (4)	5,160	(121)	5,039
Net change in unrealized appreciation (depreciation) of investments	2,659	232	2,891
Net increase in members' capital resulting from operations	$ 20,478		$ 20,478

(1) Includes $841 in payment-in-kind interest from investments.

(2) Includes expense waivers and reimbursements of $600.

(3) For the three months ended September 30, 2013, the Operating Company incurred total incentive fees of $5,120, of which $1,587 related to capital gains incentive fees on a hypothetical liquidation basis.

(4) Includes $1,722 of realized gains on investments resulting from the modification of terms on one debt investment that was accounted for as an extinguishment.

	Nine months ended September 30, 2013	Adjustments	Adjusted nine months ended September 30, 2013
Investment income			
Interest income (1)	$ 79,539	$ (804)	$ 78,735
Dividend income	4,802	—	4,802
Other income	1,926	—	1,926
Total investment income	86,267	(804)	85,463
Total net expenses pre-incentive fee (2)	23,472	—	23,472
Pre-Incentive Fee Net Investment Income	62,795	(804)	61,991
Incentive fee (3)	14,966	—	14,966
Post-Incentive Fee Net Investment Income	47,829	(804)	47,025
Net realized gains on investments (4)	9,516	(3,270)	6,246
Net change in unrealized appreciation (depreciation) of investments	2,518	4,074	6,592
Net increase in members' capital resulting from operations	$ 59,863		$ 59,863

(1) Includes $2,387 in payment-in-kind interest from investments.

(2) Includes expense waivers and reimbursements of $2,265.

(3) For the nine months ended September 30, 2013, the Operating Company incurred total incentive fees of $14,966, of which $2,568 related to capital gains incentive fees on a hypothetical liquidation basis.

(4) Includes $1,722 of realized gains on investments resulting from the modification of terms on one debt investment that was accounted for as an extinguishment.

The following Statement of Operations for the three and nine months ended September 30, 2012 is adjusted to reflect the step-up to fair market value.

	Three months ended September 30, 2012	Adjustments	Adjusted three months ended September 30, 2012
Investment income			
Interest income	$ 21,362	$ (806)	$ 20,556
Dividend income	215	—	215
Other income	175	—	175
Total investment income	21,752	(806)	20,946
Total net expenses pre-incentive fee (1)	6,055	—	6,055
Pre-Incentive Fee Net Investment Income	15,697	(806)	14,891
Incentive fee (2)	5,561	—	5,561
Post-Incentive Fee Net Investment Income	10,136	(806)	9,330
Net realized gains on investments	1,615	(168)	1,447
Net change in unrealized appreciation (depreciation) of investments	10,494	974	11,468
Net increase in members' capital resulting from operations	$ 22,245		$ 22,245

(1) Includes expense waivers and reimbursements of $439.

(2) For the three months ended September 30, 2012, the Operating Company incurred total incentive fees of $5,561, of which $2,583 related to capital gains incentive fees on a hypothetical liquidation basis.

	Nine months ended September 30, 2012	Adjustments	Adjusted nine months ended September 30, 2012
Investment income			
Interest income	$ 60,087	$ (2,654)	$ 57,433
Dividend income	215	—	215
Other income	771	—	771
Total investment income	61,073	(2,654)	58,419
Total net expenses pre-incentive fee (1)	17,684	—	17,684
Pre-Incentive Fee Net Investment Income	43,389	(2,654)	40,735
Incentive fee (2)	11,694	—	11,694
Post-Incentive Fee Net Investment Income	31,695	(2,654)	29,041
Net realized gains on investments	14,591	(5,386)	9,205
Net change in unrealized appreciation (depreciation) of investments	10,710	8,040	18,750
Net increase in members' capital resulting from operations	$ 56,996		$ 56,996

(1) Includes expense waivers and reimbursements of $1,387.

(2) For the nine months ended September 30, 2012, the Operating Company incurred total incentive fees of $11,694, of which $3,547 related to capital gains incentive fees on a hypothetical liquidation basis.

The Companies have entered into an Administration Agreement, as amended and restated, with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Companies' financial records, prepares reports filed with the Securities and Exchange Commission, generally monitors the payment of the Companies' expenses, and watches the performance of administrative and professional services rendered by others. The Operating Company will reimburse the Administrator for the Companies' allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Companies under the Administration Agreement, as amended and restated. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014.

The Operating Company has revised its presentation of expenses and expense waivers and reimbursements for the three and nine months ended September 30, 2012. Expenses were previously presented net of waivers and reimbursements, which had been included parenthetically. The revised presentation shows total gross expenses with a separate reduction for expense waivers and reimbursements.

The Operating Company incurred the following expenses in excess of the expense cap for the three and nine months ended September 30, 2013 and September 30, 2012:

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Professional fees	$ 317	$ 171	$ 1,345	$ 536
Administrative expenses	283	268	920	851
Other general and administrative expenses	—	—	—	—
Total expense waivers and reimbursements	$ 600	$ 439	$ 2,265	$ 1,387

As of September 30, 2013, $317 of the expense waivers and reimbursements was receivable from an affiliate.

The Companies, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, L.L.C., pursuant to which New Mountain Capital, L.L.C. has agreed to grant the Companies, 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 Companies, 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 Operating Company. Other than with respect to this limited license, the Companies, the Investment Adviser and the Administrator will have no legal right to the “New Mountain” or the “New Mountain Finance” names.

NMFC entered into a Registration Rights Agreement with AIV Holdings, Steven B. Klinsky (the Chairman of the Companies’ board of directors), an entity related to Steven B. Klinsky and the Investment Adviser. Subject to several exceptions, AIV Holdings and the Investment Adviser have the right to require NMFC to register for public resale under the Securities Act of 1933, as amended (the “Securities Act of 1933”), all registerable securities that are held by any of them and that they request to be registered. Registerable securities subject to the Registration Rights Agreement are shares of NMFC’s common stock issued or issuable in exchange for units and any other shares of NMFC’s common stock held by AIV Holdings, the Investment Adviser and any of their transferees. The rights under the Registration Rights Agreement can be conditionally exercised by AIV Holdings or the Investment Adviser, meaning that prior to the effectiveness of the registration statement related to the shares, AIV Holdings or the Investment Adviser can withdraw their request to have the shares registered. AIV Holdings and the Investment Adviser may each assign their rights to any person that acquires registerable securities subject to the Registration Rights Agreement and who agrees to be bound by the terms of the Registration Rights Agreement. Steven B. Klinsky and a related entity will have the right to “piggyback”, or include their own registerable securities in such a registration. Shares held by AIV Holdings and Steven B. Klinsky were registered on a shelf registration statement on Form N-2.

AIV Holdings and the Investment Adviser may require NMFC to use its reasonable best efforts to register under the Securities Act of 1933 all or any portion of these registerable securities upon a “demand request”. The demand registration rights are subject to certain limitations.

The Registration Rights Agreement includes limited blackout and suspension periods. In addition, AIV Holdings and the Investment Adviser may also require NMFC to file a shelf registration statement on Form N-2 for the resale of their registerable securities if NMFC is eligible to use Form N-2 at that time.

Holders of registerable securities have “piggyback” registration rights, including AIV Holdings, which means that these holders may include their respective shares in any future registrations of NMFC’s equity securities, whether or not that registration relates to a primary offering by NMFC or a secondary offering by or on behalf of any of NMFC's stockholders. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have priority over NMFC in any registration that is an underwritten offering.

AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) will be responsible for the expenses of any demand registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration. NMFC has agreed to indemnify AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) with respect to liabilities resulting from untrue statements or omissions in any registration statement filed pursuant to the Registration Rights Agreement, other than untrue statements or omissions resulting from information furnished to NMFC by such parties. AIV Holdings, the Investment Adviser and Steven B. Klinsky (and a related entity) have also agreed to indemnify NMFC with respect to liabilities resulting from untrue statements or omissions furnished by them to NMFC relating to them in any registration statement.

Note 6. Related Parties

The Companies have entered into a number of business relationships with affiliated or related parties. NMFC and AIV Holdings own all the outstanding units of the Operating Company. As of September 30, 2013, NMFC and AIV Holdings owned approximately 85.3% and 14.7%, respectively, of the units of the Operating Company.

The Operating 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 Companies have entered into an Administration Agreement, as amended and restated, with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Companies and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement, as amended and restated. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Companies under the Administration Agreement, as amended and restated, including rent, the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Companies' chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement, as amended and restated, and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014.

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

The Companies have adopted a formal code of ethics that governs the conduct of their respective 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, with the Operating Company' investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Operating Company 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 the Operating 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 Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, 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 the Concurrent Private Placement.

Note 7. Borrowing Facilities

Holdings Credit Facility—The Loan and Security Agreement, as amended and restated, dated May 19, 2011 (the “Holdings Credit Facility”) among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The Operating Company became a party to the Holdings Credit Facility upon the IPO of NMFC. The Holdings Credit Facility amends and restates the credit facility of the Predecessor Entities (the “Predecessor Credit Facility”).

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $250,000, as amended on June 24, 2013. As of September 30, 2013, the Operating Company was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company’s Consolidated Statement of Assets, Liabilities, and Members’ Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company’s investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of the London Interbank Offered Rate (“LIBOR”) plus 2.75% per annum, as amended on May 8, 2012, and charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the Holdings Credit Facility for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Interest expense	$ 1,430	$ 807	$ 4,307	$ 2,920
Non-usage fee	75	178	144	251
Weighted average interest rate	2.9%	3.0%	2.9%	3.1%
Average debt outstanding	$ 190,692	$ 105,795	$ 192,843	$ 122,887

As of September 30, 2013 and December 31, 2012, the outstanding balance on the Holdings Credit Facility was $159,091 and $206,938, respectively, and the Operating Company was not aware of any instances of non-compliance related to the Holdings Credit Facility on such dates.

SLF Credit Facility—NMF SLF’s Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the “SLF Credit Facility”) among NMF SLF as the Borrower, the Operating Company as the Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, National Association, as the Collateral Custodian, is structured as a revolving credit facility and matures on October 27, 2016, as amended on May 8, 2012. The maximum amount of revolving borrowings available under the SLF Credit Facility is $215,000, as amended on December 18, 2012. The loan is non-recourse to the Operating Company and secured by all assets owned by the borrower on an investment by investment basis. All fees associated with the origination or upsizing of the SLF Credit Facility are capitalized on the Consolidated Statement of Assets, Liabilities, and Members’ Capital and charged against income as other credit facility expenses over the life of the SLF Credit Facility. The SLF Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. The covenants are generally not tied to mark to market fluctuations in the prices of our investments, but rather to the performance of the underlying portfolio companies. Due to an amendment to the SLF Credit Facility on October 27, 2011, NMF SLF is no longer restricted from the purchase or sale of loans with an affiliate. Therefore, specified loans can be moved as collateral between the Holdings Credit Facility and the SLF Credit Facility.

As of September 30, 2013, the SLF Credit Facility permits borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate outstanding loan balance of all pledged debt securities in the SLF Credit Facility is allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association, as amended on March 11, 2013.

The SLF Credit Facility bears interest at a rate of LIBOR plus 2.00% per annum for first lien loans and 2.75% for second lien loans, respectively, as amended on March 11, 2013. A non-usage fee is paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the credit agreement).

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the SLF Credit Facility for the three and nine months ended September 30, 2013 and September 30, 2012.

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Interest expense	$ 1,243	$ 1,051	$ 3,663	$ 3,138
Non-usage fee	— (1)	8	2	20
Weighted average interest rate	2.3%	2.2%	2.3%	2.4%
Average debt outstanding	$ 214,828	$ 184,109	$ 214,547	$ 174,808

(1) For the three months ended September 30, 2013, the total non-usage fee was less than $1 thousand.

As of September 30, 2013 and December 31, 2012, the outstanding balance on the SLF Credit Facility was $215,000 and $214,262, respectively, and NMF SLF was not aware of any instances of non-compliance related to the SLF Credit Facility on such dates.

Leverage risk factors—The Operating Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Operating Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Operating Company's unit holders, and therefore NMFC's common stockholders, and the Operating 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 Operating 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 Operating Company's net asset value. Similarly, leverage may cause a sharper decline in the Operating Company's income than if the Operating Company had not borrowed. Such a decline could negatively affect the Operating Company's ability to make dividend payments to its unit holders. Leverage is generally considered a speculative investment technique. The Operating 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

NMFC and AIV Holdings have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as RICs under Subchapter M of the Code. In order to continue to qualify as RICs, among other things, NMFC and AIV Holdings are required to timely distribute to their stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. NMFC and AIV Holdings, among other things, intend to make and continue to make the requisite distributions to their stockholders, which will generally relieve NMFC and AIV Holdings from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code). However, under certain circumstances, the distributions that the Operating Company makes to its members may not be sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to continue to qualify as a RIC. In that case, it is expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV would be required to include the consent dividend in its taxable income as dividend from AIV Holdings, which would result in phantom (i.e., non-cash) taxable income to Guardian AIV.

Additionally as BDCs, the Companies 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).

Note 9. Commitments and Contingencies

In the normal course of business, the Companies may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Operating Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments. As of September 30, 2013, the Operating Company had unfunded commitments on revolving credit facilities of $10,500, outstanding bridge financing commitments of $52,500 and no other future funding commitments. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments. As of December 31, 2012, the Operating Company had unfunded commitments on revolving credit facilities of $10,500 and no outstanding bridge financing commitments or other future funding commitments, all of which are disclosed on the Operating Company's Consolidated Schedule of Investments.

The Operating Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of September 30, 2013. See Note 7, *Borrowing Facilities*, for details.

The Operating Company may from time to time enter into financing commitment letters. As of September 30, 2013 and December 31, 2012, the Operating Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

Note 10. Stockholders' Equity

The table below illustrates the effect of certain transactions on the capital accounts of NMFC:

	Common Stock		Paid in Capital in Excess of Par	Undistributed Net Investment Income	Accumulated Undistributed Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Stockholders' Equity
	Shares	Par Amount					
Balance at December 31, 2012	24,326,251	$ 243	$ 335,487	$ —	$ 952	$ 5,244	$ 341,926
Issuances of common stock	13,933,670	140	198,373	—	—	—	198,513
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	—	(203)	—	—	—	(203)
Dividends declared	—	—	—	(35,695)	(794)	—	(36,489)
Net increase (decrease) in stockholders' equity resulting from operations	—	—	—	35,695	7,567	713	43,975
Balance at September 30, 2013	38,259,921	$ 383	$ 533,657	$ —	$ 7,725	$ 5,957	$ 547,722

The table below illustrates the effect of certain transactions on the capital accounts of AIV Holdings:

	Common Stock		Paid in Capital in Excess of Par	Undistributed Net Investment Income	Distributions In Excess of Net Realized (Losses) Gains	Net Unrealized (Depreciation) Appreciation	Total Stockholders' Equity
	Shares	Par Amount					
Balance at December 31, 2012	100	$ — (1)	$ 244,015	$ —	$ (6,676)	$ (9,326)	$ 228,013
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	—	(45)	—	—	—	(45)
Dividends declared	—	—	—	(12,133)	(255)	—	(12,388)
Distribution to New Mountain Guardian AIV, L.P.	—	—	(134,699)	—	—	—	(134,699)
Net increase (decrease) in stockholders' equity resulting from operations	—	—	(10,451)	12,133	1,949	9,571	13,202
Balance at September 30, 2013	100	$ — (1)	$ 98,820	$ —	$ (4,982)	$ 245	$ 94,083

(1) As of September 30, 2013 and December 31, 2012, the par amount of the total common stock was $1.

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the three and nine months ended September 30, 2013 and September 30, 2012:

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Numerator for basic earnings per share:	$ 17,467	$ 9,955	$ 43,975	$ 21,978
Denominator for basic weighted average share:	38,159,320	16,177,442	31,952,623	12,537,607
Basic earnings per share:	$ 0.46	$ 0.62	$ 1.38	$ 1.75
Numerator for diluted earnings per share(a):	$ 20,478	$ 22,245	$ 59,863	$ 56,996
Denominator for diluted weighted average share(b):	44,731,258	36,138,511	42,847,638	32,671,954
Diluted earnings per share:	$ 0.46	$ 0.62	$ 1.40	$ 1.74

(a) Includes the full income at the Operating Company for the period.

(b) Assumes AIV Holdings exchanges its units in the Operating Company for public shares of NMFC as of September 30, 2013 and September 30, 2012, respectively (see Note 1, *Formation and Business Purpose*).

Note 12. Financial Highlights

The following information sets forth the financial highlights for the Operating Company for the respective nine months ended September 30, 2013 and September 30, 2012.

	Nine months ended	
	September 30, 2013	September 30, 2012
Total return based on net asset value (a)	10.20%	13.06%
Average net assets for the period	$ 612,181	$ 450,716
Ratio to average net assets (b):		
Net investment income	10.45%	9.39%
Total expenses, before waivers/reimbursements	8.89%	9.12%
Total expenses, net of waivers/reimbursements	8.39%	8.71%
Net assets, end of period	$ 641,805	$ 520,355
Average debt outstanding—SLF Credit Facility	$ 214,547	$ 174,808
Average debt outstanding—Holdings Credit Facility	$ 192,843	$ 122,887
Weighted average common membership units outstanding	42,847,638	32,671,954
Asset coverage ratio	271.56%	255.02%
Portfolio turnover	30.46%	34.77%

(a) 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 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.

(b) Ratio to average net assets has been annualized.

	Nine months ended	
	September 30, 2013	September 30, 2012
Per unit data for the Operating Company (a):		
Net asset value, January 1, 2013 and January 1, 2012, respectively	$ 14.06	$ 13.60
Net investment income	1.12	0.97
Net realized and unrealized gains (losses)	0.28	0.76
Dividends from net investment income	(1.14)	(1.23)
Net increase in net assets resulting from operations	0.26	0.50
Net asset value, September 30, 2013 and September 30, 2012, respectively	$ 14.32	$ 14.10

(a) Per unit data is based on weighted average common membership units outstanding.

The following information sets forth the financial highlights for NMFC for the nine months ended September 30, 2013 and September 30, 2012. The ratios to average net assets have been annualized.

	Nine months ended	
	September 30, 2013	September 30, 2012
Per share data (a):		
Net asset value, January 1, 2013 and January 1, 2012, respectively	$ 14.06	$ 13.60
Net increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:		
Net investment income	1.12	0.97
Net realized and unrealized gains (losses)	0.28	0.76
Total net increase	1.40	1.73
Dividends declared	(1.14)	(1.23)
Net asset value, September 30, 2013 and September 30, 2012, respectively	$ 14.32	$ 14.10
Per share market value, September 30, 2013 and September 30, 2012, respectively	$ 14.41	$ 14.82
Total return based on market value (b)	4.58%	20.27%
Total return based on net asset value (c)	10.20%	13.06%
Shares outstanding at end of period	38,259,921	20,690,635
Average weighted shares outstanding for the period	31,952,623	12,537,607
Average net assets for the period	$ 456,922	$ 167,815
Ratio to average net assets (d):		
Total expenses allocated from New Mountain Finance Holdings, L.L.C.	8.39%	8.71%
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	10.45%	9.39%

(a) 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.

(b) Total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under NMFC's dividend reinvestment plan.

(c) 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.

(d) Ratio to average net assets for the nine months ended September 30, 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.

The following information sets forth the financial highlights for AIV Holdings for the nine months ended September 30, 2013 and September 30, 2012. The ratios to average net assets have been annualized.

	Nine months ended	
	September 30, 2013	September 30, 2012
Total return based on net asset value (a)	8.38 %	14.45 %
Average net assets for the period	$ 155,259	$ 279,835
Ratio to average net assets (b):		
Total expenses allocated from New Mountain Finance Holdings, L.L.C.	8.39 %	8.71 %
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	10.45 %	9.39 %

(a) 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 net asset value on the last day of the respective quarter.

(b) Ratio to average net assets for the nine months ended September 30, 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.

Note 13. Subsequent Events

On November 8, 2013, the Operating Company's board of directors, and subsequently NMFC's board of directors, declared a fourth quarter 2013 distribution of $0.34 per unit/share payable on December 31, 2013 to holders of record as of December 17, 2013. Subsequently, AIV Holdings' board of directors declared a dividend payable on December 31, 2013 to holders of record as of December 17, 2013 in an amount equal to $0.34 per unit multiplied by the total number of units owned by AIV Holdings of the Operating Company as of the record date.

On October 17, 2013, NMFC completed a public offering of 3,000,000 shares of its common stock and an underwritten secondary public offering of 3,000,000 shares of its common stock on behalf of a selling stockholder, AIV Holdings, at a public offering price of $14.34 per share. In connection with the underwritten secondary public offering, the underwriters purchased an additional 900,000 shares of NMFC's common stock from AIV Holdings with the exercise of the overallotment option to purchase up to an additional 900,000 shares of common stock. The Operating Company received net proceeds of $43,020 in connection with the sale of 3,000,000 shares by NMFC of its common stock. NMFC did not receive any proceeds from the sale of shares of NMFC's common stock by AIV Holdings. The Operating Company and NMFC bore only their allocable portion of offering expenses related to the public offering of 3,000,000 shares, and did not bear any expenses in connection with the secondary public offering of the 3,900,000 shares of NMFC's common stock on behalf of AIV Holdings, which were borne by AIV Holdings.

On October 28, 2013, the Operating Company amended its Holdings Credit Facility to increase the maximum amount of revolving borrowings available under the Holdings Credit Facility from $250,000 to $280,000.