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 March 31, 2016

☐ **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 May 4, 2016
Common stock, par value $0.01 per share	63,880,437

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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)

	March 31, 2016	December 31, 2015
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of $1,427,717 and $1,438,415, respectively)	$ 1,352,403	$ 1,377,515
Non-controlled/affiliated investments (cost of $91,282 and $89,047, respectively)	88,371	87,287
Controlled investments (cost of $42,082 and $41,254, respectively)	49,429	47,422
Total investments at fair value (cost of $1,561,081 and $1,568,716, respectively)	1,490,203	1,512,224
Securities purchased under collateralized agreements to resell (cost of $30,000 and $30,000, respectively)	29,674	29,704
Cash and cash equivalents	32,683	30,102
Interest and dividend receivable	16,034	13,832
Receivable from affiliates	707	360
Other assets	2,965	1,924
Total assets	$ 1,572,266	$ 1,588,146
Liabilities		
Borrowings		
Holdings Credit Facility	$ 397,513	$ 419,313
SBA-guaranteed debentures	117,745	117,745
Convertible Notes	115,000	115,000
NMFC Credit Facility	96,500	90,000
Deferred financing costs (net of accumulated amortization of $9,596 and $8,822, respectively)	(13,264)	(13,992)
Net borrowings	713,494	728,066
Incentive fee payable	11,007	5,622
Management fee payable	10,983	5,466
Payable for unsettled securities purchased	7,549	5,441
Interest payable	2,946	2,343
Payable to affiliates	959	564
Deferred tax liability	952	1,676
Other liabilities	2,531	2,060
Total liabilities	750,421	751,238
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, 64,005,387 and 64,005,387 shares issued, respectively, and 63,880,437 and 64,005,387 shares outstanding, respectively	640	640
Paid in capital in excess of par	899,751	899,713
Treasury stock at cost, 124,950 and 0 shares held, respectively	(1,433)	—
Accumulated undistributed net investment income	4,012	4,164
Accumulated undistributed net realized gains on investments	1,518	1,342
Net unrealized (depreciation) appreciation (net of provision for taxes of $952 and $1,676, respectively)	(82,643)	(68,951)
Total net assets	$ 821,845	$ 836,908
Total liabilities and net assets	$ 1,572,266	$ 1,588,146
Number of shares outstanding	63,880,437	64,005,387
Net asset value per share	$ 12.87	$ 13.08

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

New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Investment income		
From non-controlled/non-affiliated investments:		
Interest income	$ 35,706	$ 31,854
Dividend income	—	(99)
Other income	1,222	1,557
From non-controlled/affiliated investments:		
Interest income	1,582	1,043
Dividend income	920	858
Other income	313	314
From controlled investments:		
Interest income	502	450
Dividend income	719	548
Other income	12	11
Total investment income	40,976	36,536
Expenses		
Incentive fee	5,385	4,878
Capital gains incentive fee	—	481
Total incentive fees	5,385	5,359
Management fee	6,836	6,468
Interest and other financing expenses	6,602	5,477
Professional fees	877	739
Administrative expenses	839	635
Other general and administrative expenses	432	429
Total expenses	20,971	19,107
Less: management fee waived (See Note 5)	(1,319)	(1,382)
Less: expenses waived and reimbursed (See Note 5)	(284)	(400)
Net expenses	19,368	17,325
Net investment income before income taxes	21,608	19,211
Income tax expense	41	149
Net investment income	21,567	19,062
Net realized gains (losses):		
Non-controlled/non-affiliated investments	176	(133)
Net change in unrealized (depreciation) appreciation:		
Non-controlled/non-affiliated investments	(14,414)	(1,462)
Non-controlled/affiliated investments	(1,151)	(872)
Controlled investments	1,179	6,820
Securities purchased under collateralized agreements to resell	(30)	—
Benefit (provision) for taxes	724	(501)
Net realized and unrealized (losses) gains	(13,516)	3,852
Net increase in net assets resulting from operations	$ 8,051	$ 22,914
Basic earnings per share	$ 0.13	$ 0.40
Weighted average shares of common stock outstanding - basic (See Note 11)	63,934,151	57,998,754
Diluted earnings per share	$ 0.13	$ 0.37
Weighted average shares of common stock outstanding - diluted (See Note 11)	71,211,282	65,217,837
Dividends declared and paid per share	$ 0.34	$ 0.34

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

New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Increase (decrease) in net assets resulting from operations:		
Net investment income	$ 21,567	$ 19,062
Net realized gains (losses) on investments	176	(133)
Net change in unrealized (depreciation) appreciation of investments	(14,386)	4,486
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(30)	—
Benefit (provision) for taxes	724	(501)
Net increase in net assets resulting from operations	8,051	22,914
Capital transactions		
Deferred offering costs	38	—
Dividends declared to stockholders from net investment income	(21,719)	(19,719)
Reinvestment of dividends	—	1,134
Repurchase of shares under repurchase program	(1,433)	—
Total net decrease in net assets resulting from capital transactions	(23,114)	(18,585)
Net (decrease) increase in net assets	(15,063)	4,329
Net assets at the beginning of the period	836,908	802,170
Net assets at the end of the period	$ 821,845	$ 806,499
Capital share activity		
Shares issued from reinvestment of dividends	—	77,715
Shares repurchased under repurchase program	(124,950)	—
Net (decrease) increase in shares outstanding	(124,950)	77,715

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New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 8,051	$ 22,914
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net realized (gains) losses on investments	(176)	133
Net change in unrealized depreciation (appreciation) of investments	14,386	(4,486)
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	30	—
Amortization of purchase discount	(769)	(596)
Amortization of deferred financing costs	774	672
Non-cash investment income	(1,664)	(1,178)
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(27,591)	(67,236)
Proceeds from sales and paydowns of investments	40,188	93,280
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	10	—
Cash paid on drawn revolvers	(3,806)	(190)
Cash repayments on drawn revolvers	1,443	190
Interest and dividend receivable	(2,202)	(2,745)
Receivable from affiliates	(347)	(141)
Receivable from unsettled securities sold	—	8,912
Other assets	(770)	(560)
Increase (decrease) in operating liabilities:		
Incentive fee payable	5,385	75
Management fee payable	5,517	(58)
Payable for unsettled securities purchased	2,108	(26,460)
Interest payable	603	1,355
Payable to affiliates	395	(581)
Deferred tax liability	(724)	501
Capital gains incentive fee payable	—	481
Other liabilities	283	(11)
Net cash flows provided by operating activities	41,124	24,271
Cash flows from financing activities		
Dividends paid	(21,719)	(18,585)
Offering costs paid	(53)	(20)
Proceeds from Holdings Credit Facility	17,500	49,100
Repayment of Holdings Credit Facility	(39,300)	(74,600)
Proceeds from NMFC Credit Facility	10,500	51,300
Repayment of NMFC Credit Facility	(4,000)	(32,500)
Deferred financing costs paid	(38)	(259)
Repurchase of shares under repurchase program	(1,433)	—
Net cash flows used in financing activities	(38,543)	(25,564)
Net increase (decrease) in cash and cash equivalents	2,581	(1,293)
Cash and cash equivalents at the beginning of the period	30,102	23,445
Cash and cash equivalents at the end of the period	$ 32,683	$ 22,152
Supplemental disclosure of cash flow information		
Cash interest paid	$ 5,031	$ 3,308
Income taxes paid	2	3
Non-cash operating activities:		
Non-cash activity on investments	$ —	$ 41,275
Non-cash financing activities:		
Value of shares issued in connection with dividend reinvestment plan	$ —	$ 1,134
Accrual for offering costs	817	496
Accrual for deferred financing costs	90	126

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

New Mountain Finance Corporation

Consolidated Schedule of Investments
March 31, 2016
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	$ 8,944	$ 8,907	$ 8,475	1.03 %
Total Funded Debt Investments - Australia				**$ 8,944**	**$ 8,907**	**$ 8,475**	**1.03 %**
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	$ 24,630	$ 24,345	$ 17,855	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,326	5,949	
				32,834	32,671	23,804	2.90 %
Total Funded Debt Investments - Luxembourg				**$ 32,834**	**$ 32,671**	**$ 23,804**	**2.90 %**
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (L + 9.13%/Q)	2/17/2023	$ 10,000	$ 9,318	$ 9,050	1.10 %
Total Funded Debt Investments - Netherlands				**$ 10,000**	**$ 9,318**	**$ 9,050**	**1.10 %**
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (L + 9.50%/Q)	1/31/2023	$ 32,500	$ 31,755	$ 30,063	3.66 %
Total Funded Debt Investments - United Kingdom				**$ 32,500**	**$ 31,755**	**$ 30,063**	**3.66 %**
Funded Debt Investments - United States							
TIBCO Software Inc.							
Software	First lien (2)	6.50% (L + 5.50%/M)	12/4/2020	$ 29,700	$ 28,491	$ 27,138	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,623	13,200	
				44,700	43,114	40,338	4.91 %
Deltek, Inc.							
Software	Second lien (3)	9.50% (L + 8.50%/Q)	6/26/2023	21,000	20,977	20,370	
	Second lien (2)	9.50% (L + 8.50%/Q)	6/26/2023	20,000	19,624	19,400	
				41,000	40,601	39,770	4.84 %
AssuredPartners, Inc.							
Business Services	Second lien (2)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,229	19,200	
	Second lien (3)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,229	19,200	
				40,000	38,458	38,400	4.67 %
Kronos Incorporated							
Software	Second lien (2)	9.75% (L + 8.50%/Q)	4/30/2020	32,632	32,444	32,560	
	Second lien (3)	9.75% (L + 8.50%/Q)	4/30/2020	4,998	4,961	4,988	
				37,630	37,405	37,548	4.57 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (L + 6.75%/Q)	9/28/2020	36,962	36,673	36,685	4.46 %
Engility Corporation (fka TASC, Inc.)							
Federal Services	First lien (2)	7.00% (L + 6.00%/Q)	5/22/2020	28,236	27,940	28,118	
	Second lien (3)	12.00%/Q	5/21/2021	5,000	4,775	4,775	
	Second lien (3)	12.00%/Q	5/21/2021	2,000	1,965	1,910	
				35,236	34,680	34,803	4.24 %

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Physio-Control International, Inc.							
Healthcare Products	Second lien (2)	10.00% (L + 9.00%/Q)	6/5/2023	$ 30,000	$ 29,444	$ 30,000	
	Second lien (3)	10.00% (L + 9.00%/Q)	6/5/2023	4,000	3,706	4,000	
				34,000	33,150	34,000	4.14 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	35,000	34,320	33,950	4.13 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	34,727	34,362	32,644	3.97 %
Navex Global, Inc.							
Software	First lien (4)	5.75% (L + 4.75%/Q)	11/19/2021	4,598	4,559	4,460	
	First lien (2)	5.75% (L + 4.75%/Q)	11/19/2021	2,603	2,582	2,525	
	Second lien (4)	9.75% (L + 8.75%/Q)	11/18/2022	17,879	17,688	16,359	
	Second lien (3)	9.75% (L + 8.75%/Q)	11/18/2022	10,121	10,004	9,261	
				35,201	34,833	32,605	3.97 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (L + 6.50%/Q)	12/19/2020	32,835	32,616	32,547	3.96 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/Q)	9/24/2021	29,850	29,503	29,477	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	1,500	1,481	1,481	
				31,350	30,984	30,958	3.77 %
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (L + 8.75%/Q)	2/8/2019	30,875	30,787	30,746	3.74 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	10.25% (L + 9.25%/Q)	6/17/2021	24,000	23,797	23,679	
	Second lien (3)	10.50% (L + 9.50%/Q)	6/17/2021	6,500	6,436	6,477	
				30,500	30,233	30,156	3.67 %
Pittsburgh Glass Works, LLC (24)							
Manufacturing	First lien (2)	10.11% (L + 9.11%/M)	11/25/2021	30,000	29,857	30,000	3.65 %
Integro Parent Inc.							
Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	18,694	18,337	18,040	
	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	1,259	1,235	1,215	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,903	9,550	
				29,953	29,475	28,805	3.50 %
CompassLearning, Inc. (15)							
Education	First lien (2)	8.00% (L + 6.75%/Q)	11/26/2018	30,000	29,567	27,721	3.37 %
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)(9)	9.75%/S	4/1/2021	24,500	24,382	26,705	3.25 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	26,950	26,590	26,243	3.19 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/Q)	11/13/2017	25,010	24,807	24,885	3.03 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (L + 7.25%/M)	9/30/2020	24,811	24,470	24,438	2.97 %
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	24,937	24,234	24,314	2.96 %

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (L + 9.00%/M)	5/8/2019	$ 18,886	$ 18,790	$ 17,328	
	Second lien (3)	10.25% (L + 9.00%/M)	5/8/2019	5,571	5,648	5,111	
				24,457	24,438	22,439	2.73 %
Severin Acquisition, LLC							
Software	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	15,000	14,861	14,850	
	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,114	4,112	
	Second lien (4)	10.25% (L + 9.25%/Q)	7/29/2022	3,273	3,241	3,313	
				22,427	22,216	22,275	2.71 %
EN Engineering, LLC							
Business Services	First lien (2)	7.00% (L + 6.00%/Q)	6/30/2021	21,268	21,075	21,055	
	First lien (2)(11) - Drawn	8.50% (P + 5.00%/Q)	6/30/2021	1,220	1,208	1,208	
				22,488	22,283	22,263	2.71 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	15,500	15,516	13,098	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,113	8,450	
				25,500	25,629	21,548	2.62 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.00% (L + 6.00%/Q)	4/20/2021	19,453	19,282	19,259	
	First lien (4)(11) - Drawn	7.00% (L + 6.00%/Q)	4/20/2021	2,271	2,249	2,248	
				21,724	21,531	21,507	2.62 %
McGraw-Hill School Education Holdings, LLC							
Education	First lien (2)	6.25% (L + 5.00%/M)	12/18/2019	21,505	21,362	21,452	2.61 %
IT'SUGAR LLC							
Retail	First lien (4)	10.50% (L + 9.50%/Q)	10/23/2019	20,947	20,207	20,133	2.45 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00%/Q	7/3/2019	20,000	20,000	20,111	2.45 %
TWDiamondback Holdings Corp. (18):							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,729	2.40 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	4/14/2022	20,000	19,884	17,350	
	Second lien (3)	9.50% (L + 8.50%/Q)	4/14/2022	2,550	2,558	2,212	
				22,550	22,442	19,562	2.38 %
TW-NHME Holdings Corp. (23)							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (L + 9.25%/Q)	7/14/2022	19,000	18,777	18,762	2.28 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/Q)	7/2/2021	17,766	17,607	17,588	
	First lien (3)(11) - Drawn	7.75% (P + 4.25%/Q)	7/2/2021	581	575	575	
				18,347	18,182	18,163	2.21 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,438	17,990	2.19 %

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/Q)	8/4/2022	$ 17,910	$ 17,744	$ 17,731	2.16 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	8.00% (L + 6.75%/M)	6/4/2018	18,320	18,195	17,129	2.08 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,358	17,112	2.08 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S	12/15/2018	25,000	25,000	15,000	
	First lien (3)	12.25%/S	12/15/2018	2,660	2,103	1,596	
				27,660	27,103	16,596	2.02 %
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (L + 8.75%/Q)	10/9/2019	28,300	27,992	11,745	
	Second lien (3)	10.00% (L + 8.75%/Q)	10/9/2019	9,564	2,774	3,969	
				37,864	30,766	15,714	1.91 %
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (2)	6.75% (L + 5.00%/Q)	12/14/2016	14,998	14,803	14,998	
	First lien (3)(11) - Drawn	7.25% (P + 3.75%/M)	12/14/2016	127	115	127	
				15,125	14,918	15,125	1.84 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (L + 8.75%/Q)	12/30/2021	13,500	13,377	13,365	1.63 %
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (L + 8.00%/M)	7/23/2017	14,000	13,981	12,950	1.58 %
Poseidon Intermediate, LLC							
Software	Second lien (2)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,815	12,805	1.56 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	13,000	12,804	11,765	1.43 %
Smile Brands Group Inc.							
Healthcare Services	First lien (2)	9.00% (L + 6.25% + 1.50% PIK/Q)*	8/16/2019	12,224	12,117	10,146	1.23 %
PowerPlan Holdings, Inc.							
Software	Second lien (2)	10.75% (L + 9.75%/M)	2/23/2023	10,000	9,909	9,900	1.20 %
QC McKissock Investment, LLC (17)							
McKissock, LLC							
Education	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	4,863	4,829	4,812	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	3,140	3,118	3,107	
	First lien (2)	8.15% (Base + 6.07%/Q)	8/5/2019	1,013	1,005	1,003	
				9,016	8,952	8,922	1.09 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,876	8,865	1.08 %
TTM Technologies, Inc.**							
Business Products	First lien (2)	6.00% (L + 5.00%/Q)	5/31/2021	9,175	8,798	8,738	1.06 %
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%/S	1/15/2018	24,357	24,478	8,647	1.05 %

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

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	$ 1,955	$ 1,941	$ 1,789	
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	7,000	6,919	5,775	
				8,955	8,860	7,564	0.92 %
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien (2)	7.50% (L + 6.25%/Q)	7/7/2020	7,196	7,022	6,548	0.80 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/M)	4/21/2017	6,833	6,808	6,321	0.77 %
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (L + 8.25%/Q)	3/16/2018	7,000	6,958	5,058	0.62 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,753	5,038	0.61 %
Packaging Coordinators, Inc. (13)							
Healthcare Products	Second lien (3)	9.00% (L + 8.00%/Q)	8/1/2022	5,000	4,957	5,000	0.61 %
Immucor, Inc.							
Healthcare Services	Subordinated (2)(9)	11.13%/S	8/15/2019	5,000	4,965	4,625	0.56 %
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (3)	9.25% (L + 8.25%/Q)	3/10/2022	2,500	2,480	2,212	0.27 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,934	1,967	0.24 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	1,931	0.23 %
Education Management Corporation (22)							
Education Management II LLC							
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	239	74	
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	135	42	
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	444	385	37	
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	251	217	21	
				1,086	976	174	0.02 %
ATI Acquisition Company (fka Ability Acquisition, Inc.) (14)							
Education	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	1,665	1,434	—	
	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	103	94	—	
				1,768	1,528	—	— %
Total Funded Debt Investments - United States				**$ 1,311,649**	**$ 1,288,430**	**$ 1,216,143**	**147.97 %**
Total Funded Debt Investments				**$ 1,395,927**	**$ 1,371,081**	**$ 1,287,535**	**156.66 %**
Equity - United Kingdom							
Packaging Coordinators, Inc. (13)							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares (2)	—	—	19,427	$ 578	$ 2,052	0.25 %
Total Shares - United Kingdom					**$ 578**	**$ 2,052**	**0.25 %**
Equity - United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares (3)(20)	12.00% (10.00% + 2.00% PIK/Q)*	—	52,318	$ 51,778	$ 52,998	6.45 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TWDiamondback Holdings Corp. (18)							
Distribution & Logistics	Preferred shares (4)	—	—	200	$ 2,000	$ 2,595	0.31 %
TW-NHME Holdings Corp. (23)							
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,000	
	Preferred shares (4)	—	—	16	158	158	
					1,158	1,158	0.14 %
Education Management Corporation (22)							
Education	Preferred shares (2)	—	—	3,331	200	12	
	Preferred shares (3)	—	—	1,879	113	6	
	Ordinary shares (2)	—	—	2,994,065	100	240	
	Ordinary shares (3)	—	—	1,688,976	56	135	
					469	393	0.05 %
Ancora Acquisition LLC (14)							
Education	Preferred shares (6)	—	—	372	83	393	0.05 %
Total Shares - United States					**$ 55,488**	**$ 57,537**	**7.00 %**
Total Shares					**$ 56,066**	**$ 59,589**	**7.25 %**
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors, LLC							
Media	Warrants (5)	—	5/8/2022	5	$ —	$ 3,998	0.49 %
IT'SUGAR LLC							
Retail	Warrants (3)	—	10/23/2025	94,672	817	817	0.10 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	5/5/2026	622	37	609	0.08 %
Ancora Acquisition LLC (14)							
Education	Warrants (6)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					**$ 854**	**$ 5,424**	**0.67 %**
Total Funded Investments					**$ 1,428,001**	**$ 1,352,548**	**164.58 %**
Unfunded Debt Investments - United States							
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (3)(11) - Undrawn	—	12/14/2016	$ 1,773	$ (168)	$ —	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	(10)	— %
DCA Investment Holdings, LLC							
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	1,519	(15)	(15)	— %
TWDiamondback Holdings Corp. (18)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (3)(11) - Undrawn	—	5/15/2016	2,158	—	(18)	
	First lien (4)(11) - Undrawn	—	5/15/2016	605	—	(5)	
				2,763	—	(23)	— %
EN Engineering, LLC							
Business Services	First lien (2)(11) - Undrawn	—	12/30/2016	2,349	(12)	(23)	— %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	$ 2,700	$ (27)	$ (27)	
	First lien (4)(11) - Undrawn	—	5/12/2017	425	(4)	(4)	
	First lien (4)(11) - Undrawn	—	3/30/2018	500	(10)	(5)	
				3,625	(41)	(36)	(0.01)%
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	3,000	(38)	(38)	(0.01)%
Total Unfunded Debt Investments				**$ 16,029**	**$ (284)**	**$ (145)**	**(0.02)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,427,717**	**$ 1,352,403**	**164.56 %**
Non-Controlled/Affiliated Investments(25)							
Funded Debt Investments - United States							
Tenawa Resource Holdings LLC (16)							
Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base + 8.00%/Q)	5/12/2019	$ 40,000	$ 39,877	$ 38,087	4.63 %
Edmentum Ultimate Holdings, LLC (19)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Drawn	5.00%/M	6/9/2020	1,708	1,708	1,684	
	Subordinated (3)	8.50% PIK/Q*	6/9/2020	3,868	3,861	3,813	
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	14,065	14,065	11,569	
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,460	3,460	2,846	
				23,101	23,094	19,912	2.42 %
Total Funded Debt Investments - United States				**$ 63,101**	**$ 62,971**	**$ 57,999**	**7.05 %**
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 23,000	$ 21,574	2.62 %
Edmentum Ultimate Holdings, LLC (19)							
Education	Ordinary shares (3)	—	—	123,968	11	2,996	
	Ordinary shares (2)	—	—	107,143	9	2,589	
					20	5,585	0.68 %
Tenawa Resource Holdings LLC (16)							
QID NGL LLC							
Energy	Ordinary shares (7)	—	—	5,290,997	5,291	3,258	0.40 %
Total Shares - United States					**$ 28,311**	**$ 30,417**	**3.70 %**
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	$ 3,172	$ —	$ (45)	— %
Total Unfunded Debt Investments				**$ 3,172**	**$ —**	**$ (45)**	**— %**
Total Non-Controlled/Affiliated Investments					**$ 91,282**	**$ 88,371**	**10.75 %**

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Controlled Investments(26)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	8.50% (L + 7.50%/Q)	1/13/2019	$ 6,786	$ 6,786	$ 6,786	
	First lien (3)	8.50% (L + 7.50%/Q)	1/13/2019	4,060	4,060	4,060	
	First lien (3)	9.88% (Base + 7.25% + 1.00% PIK/Q)*	1/13/2019	7,342	7,342	7,342	
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,543	1,543	1,505	
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	924	924	900	
				20,655	20,655	20,593	2.50 %
Total Funded Debt Investments - United States				**$ 20,655**	**$ 20,655**	**$ 20,593**	**2.50 %**
Equity - United States							
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(21)	—	—	17,242,988	$ 14,863	$ 14,682	
	Preferred shares (3)(21)	—	—	4,765,142	4,107	4,057	
	Ordinary shares (2)	—	—	2,096,477	1,925	7,911	
	Ordinary shares (3)	—	—	579,366	532	2,186	
					21,427	28,836	3.51 %
Total Shares - United States					**$ 21,427**	**$ 28,836**	**3.51 %**
Total Funded Investments					**$ 42,082**	**$ 49,429**	**6.01 %**
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	$ 2,048	$ —	$ —	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments				**$ 2,806**	**$ —**	**$ —**	**— %**
Total Controlled Investments					**$ 42,082**	**$ 49,429**	**6.01 %**
Total Investments					**$ 1,561,081**	**$ 1,490,203**	**181.32 %**

(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 Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7, *Borrowings*, for details.

(4) Investment is held in New Mountain Finance SBIC, L.P.

(5) Investment is held in NMF YP Holdings, Inc.

(6) Investment is held in NMF Ancora Holdings, Inc.

(7) Investment is held in NMF QID NGL Holdings, Inc.

(8) Investment or a portion of the investment is on non-accrual status. See Note 3, *Investments*, for details.

(9) Securities are registered under the Securities Act.

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(10) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of March 31, 2016.

(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 three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.

(13) The Company holds investments in 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.

(14) 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.

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

(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 payment-in-kind ("PIK") interest. Actual shares owned total 50,000 as of March 31, 2016.

(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.

(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) The Company holds an investment in Pittsburgh Glass Works, LLC that is structured as a first lien last out term loan.

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(25) 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, 2015 and March 31, 2016 along with transactions during the three months ended March 31, 2016 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2015	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2016	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	$ 22,782	$ 2,227	$ —	$ —	$ 443	$ 25,452	$ 529	$ —	$ —
NMFC Senior Loan Program I LLC	21,914	—	—	—	(340)	21,574	—	920	300
Tenawa Resource Holdings LLC	42,591	8	—	—	(1,254)	41,345	1,053	—	13
Total Non-Controlled/Affiliated Investments	**$ 87,287**	**$ 2,235**	**$ —**	**$ —**	**$ (1,151)**	**$ 88,371**	**$ 1,582**	**$ 920**	**$ 313**

(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.

(26) 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, 2015 and March 31, 2016 along with transactions during the three months ended March 31, 2016 in which the issuer was a controlled investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2015	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2016	Interest Income	Dividend Income	Other Income
UniTek Global Services, Inc.	$ 47,422	$ 828	$ —	$ —	$ 1,179	$ 49,429	$ 502	$ 719	$ 12
Total Controlled Investments	**$ 47,422**	**$ 828**	**$ —**	**$ —**	**$ 1,179**	**$ 49,429**	**$ 502**	**$ 719**	**$ 12**

(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 March 31, 2016, 6.6% of the Company's total assets were non-qualifying assets.

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Investment Type	March 31, 2016 Percent of Total Investments at Fair Value
First lien	45.07%
Second lien	41.27%
Subordinated	5.32%
Equity and other	8.34%
Total investments	100.00%

Industry Type	March 31, 2016 Percent of Total Investments at Fair Value
Business Services	24.38%
Software	24.05%
Education	11.33%
Distribution & Logistics	7.49%
Federal Services	6.61%
Consumer Services	4.97%
Energy	4.47%
Healthcare Services	3.70%
Media	3.00%
Healthcare Products	2.76%
Business Products	2.03%
Manufacturing	2.01%
Investment Fund	1.45%
Retail	1.41%
Industrial Services	0.34%
Total investments	100.00%

Interest Rate Type	March 31, 2016 Percent of Total Investments at Fair Value
Floating rates	85.82%
Fixed rates	14.18%
Total investments	100.00%

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	$ 10,800	$ 10,752	$ 10,314	1.23 %
Total Funded Debt Investments - Australia				**$ 10,800**	**$ 10,752**	**$ 10,314**	**1.23 %**
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	$ 24,630	$ 24,339	$ 19,581	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,324	6,522	
				32,834	32,663	26,103	3.12 %
Total Funded Debt Investments - Luxembourg				**$ 32,834**	**$ 32,663**	**$ 26,103**	**3.12 %**
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien (3)	10.13% (L + 9.13%/Q)	2/17/2023	$ 10,000	$ 9,303	$ 9,049	1.08 %
Total Funded Debt Investments - Netherlands				**$ 10,000**	**$ 9,303**	**$ 9,049**	**1.08 %**
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.50% (L + 9.50%/Q)	1/31/2023	$ 32,500	$ 31,736	$ 31,363	3.75 %
Total Funded Debt Investments - United Kingdom				**$ 32,500**	**$ 31,736**	**$ 31,363**	**3.75 %**
Funded Debt Investments - United States							
Deltek, Inc.							
Software	Second lien (3)	9.50% (L + 8.50%/Q)	6/26/2023	$ 21,000	$ 20,972	$ 20,948	
	Second lien (2)	9.50% (L + 8.50%/Q)	6/26/2023	20,000	19,619	19,950	
				41,000	40,591	40,898	4.89 %
TIBCO Software Inc.							
Software	First lien (2)	6.50% (L + 5.50%/M)	12/4/2020	29,775	28,508	27,021	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,611	12,600	
				44,775	43,119	39,621	4.73 %
AssuredPartners, Inc.							
Business Services	Second lien (2)	10.00% (L + 9.00%/Q)	10/20/2023	20,000	19,212	19,600	
	Second lien (3)	10.00% (L + 9.00%/Q)	10/20/2023	20,000	19,212	19,600	
				40,000	38,424	39,200	4.68 %
Kronos Incorporated							
Software	Second lien (2)	9.75% (L + 8.50%/Q)	4/30/2020	32,641	32,443	32,546	
	Second lien (3)	9.75% (L + 8.50%/Q)	4/30/2020	5,000	4,961	4,985	
				37,641	37,404	37,531	4.48 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (L + 6.75%/Q)	9/28/2020	37,056	36,752	36,779	4.39 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	35,000	34,302	34,300	4.10 %

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Navex Global, Inc.							
Software	First lien (4)	5.75% (L + 4.75%/Q)	11/19/2021	$ 4,610	$ 4,570	$ 4,471	
	First lien (2)	5.75% (L + 4.75%/Q)	11/19/2021	2,610	2,587	2,531	
	Second lien (4)	9.75% (L + 8.75%/Q)	11/18/2022	17,879	17,683	17,343	
	Second lien (3)	9.75% (L + 8.75%/Q)	11/18/2022	10,121	10,001	9,817	
				35,220	34,841	34,162	4.08 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	34,727	34,352	33,077	3.95 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (L + 6.50%/Q)	12/19/2020	33,261	33,030	32,928	3.93 %
Physio-Control International, Inc.							
Healthcare Products	Second lien (2)	10.00% (L + 9.00%/Q)	6/5/2023	30,000	29,426	27,451	
	Second lien (3)	10.00% (L + 9.00%/Q)	6/5/2023	4,000	3,703	3,660	
				34,000	33,129	31,111	3.72 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/Q)	9/24/2021	29,925	29,564	29,505	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	1,500	1,481	1,479	
				31,425	31,045	30,984	3.70 %
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (L + 8.75%/Q)	2/8/2019	30,875	30,781	30,759	3.68 %
TASC, Inc.							
Federal Services	First lien (2)	7.00% (L + 6.00%/Q)	5/22/2020	28,314	28,001	28,396	
	Second lien (3)	12.00%/Q	5/21/2021	2,000	1,964	2,062	
				30,314	29,965	30,458	3.64 %
Pittsburgh Glass Works, LLC (24)							
Manufacturing	First lien (2)	10.13% (L + 9.13%/M)	11/25/2021	30,000	29,852	29,850	3.57 %
Integro Parent Inc.							
Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	17,370	17,029	16,980	
	First lien (2)	6.75% (L + 5.75%/M)	10/31/2022	2,630	2,578	2,570	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,901	9,625	
				30,000	29,508	29,175	3.49 %
CompassLearning, Inc. (15)							
Education	First lien (2)	8.00% (L + 6.75%/Q)	11/26/2018	30,000	29,531	28,471	3.40 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	27,300	26,918	26,583	3.18 %
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)(9)	9.75%/S	4/1/2021	24,500	24,378	26,093	3.12 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/M)	11/13/2017	25,876	25,636	25,747	3.08 %
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	25,000	24,268	24,375	2.91 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	15,500	15,519	14,764	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,115	9,524	
				25,500	25,634	24,288	2.90 %

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Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (L + 9.00%/M)	5/8/2019	$ 18,886	$ 18,789	$ 18,673	
	Second lien (3)	10.25% (L + 9.00%/M)	5/8/2019	5,571	5,648	5,508	
				24,457	24,437	24,181	2.89 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (L + 7.25%/M)	9/30/2020	25,000	24,640	24,110	2.88 %
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (L + 8.75%/Q)	10/9/2019	28,300	27,974	23,630	2.82 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	9.75% (L + 8.75%/Q)	6/17/2021	24,000	23,789	23,149	2.77 %
EN Engineering, L.L.C.							
Business Services	First lien (2)	7.00% (L + 6.00%/Q)	6/30/2021	21,321	21,121	20,554	
	First lien (2)(11) - Drawn	8.50% (P + 5.00%/Q)	6/30/2021	1,223	1,211	1,179	
				22,544	22,332	21,733	2.60 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/M)	4/14/2022	20,000	19,881	19,133	
	Second lien (3)	9.50% (L + 8.50%/M)	4/14/2022	2,550	2,558	2,440	
				22,550	22,439	21,573	2.58 %
McGraw-Hill School Education Holdings, LLC							
Education	First lien (2)	6.25% (L + 5.00%/M)	12/18/2019	21,560	21,408	21,237	2.54 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.00% (L + 6.00%/Q)	4/20/2021	19,502	19,324	19,254	
	First lien (4)(11) - Drawn	7.00% (L + 6.00%/Q)	4/20/2021	1,753	1,736	1,731	
				21,255	21,060	20,985	2.51 %
IT'SUGAR LLC							
Retail	First lien (4)	10.50% (L + 9.50%/Q)	10/23/2019	21,000	20,215	20,183	2.41 %
Weston Solutions, Inc.							
Business Services	Subordinated (4)	16.00%/Q	7/3/2019	20,000	20,000	19,430	2.32 %
TWDiamondback Holdings Corp. (18)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,117	2.28 %
Severin Acquisition, LLC							
Software	Second lien (4)	9.25% (L + 8.25%/Q)	7/29/2022	15,000	14,857	14,272	
	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,113	4,112	
				19,154	18,970	18,384	2.20 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,423	18,362	2.20 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/Q)	7/2/2021	17,811	17,645	17,632	
	First lien (3)(11) - Drawn	7.75% (P + 4.25%/Q)	7/2/2021	53	52	52	
				17,864	17,697	17,684	2.11 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	8.00% (L + 6.75%/M)	6/4/2018	18,320	18,182	17,679	2.11 %

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iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/Q)	8/4/2022	$ 17,955	$ 17,783	$ 17,550	2.10 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,352	17,066	2.04 %
Vertafore, Inc.							
Software	Second lien (2)	9.75% (L + 8.25%/M)	10/27/2017	13,855	13,848	13,844	
	Second lien (3)	9.75% (L + 8.25%/M)	10/27/2017	2,000	2,016	1,999	
				15,855	15,864	15,843	1.89 %
GSDM Holdings Corp.							
Healthcare Services	Subordinated (4)	10.00%/M	6/23/2020	15,000	14,880	15,000	1.79 %
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (2)	6.75% (L + 5.00%/Q)	12/14/2016	14,998	14,736	14,586	1.74 %
TW-NHME Holdings Corp. (23)							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (L + 9.25%/Q)	7/14/2022	14,000	13,833	13,825	1.65 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S	12/15/2018	25,000	25,000	12,251	
	First lien (3)	12.25%/S	12/15/2018	2,660	2,064	1,302	
				27,660	27,064	13,553	1.62 %
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (L + 8.00%/M)	7/23/2017	14,000	13,978	12,740	1.52 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (L + 8.75%/Q)	12/30/2021	13,500	13,373	12,701	1.52 %
Poseidon Intermediate, LLC							
Software	Second lien (2)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,811	12,427	1.49 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	13,000	12,798	11,960	1.43 %
PowerPlan Holdings, Inc.							
Software	Second lien (2)	10.75% (L + 9.75%/M)	2/23/2023	10,000	9,907	9,573	1.14 %
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%/S	1/15/2018	24,357	24,493	9,377	1.12 %
TTM Technologies, Inc.**							
Business Products	First lien (2)	6.00% (L + 5.00%/Q)	5/31/2021	9,980	9,554	9,132	1.09 %
Smile Brands Group Inc.							
Healthcare Services	First lien (2)	9.00% (L + 6.25% + 1.50% PIK/Q)*	8/16/2019	12,204	12,091	8,878	1.06 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,868	8,865	1.06 %
QC McKissock Investment, LLC (17)							
McKissock, LLC							
Education	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	4,875	4,838	4,707	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	3,148	3,124	3,039	
	First lien (2)(11) - Drawn	7.50% (L + 6.50%/Q)	8/5/2019	1,016	1,007	981	
				9,039	8,969	8,727	1.04 %

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Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	$ 1,960	$ 1,946	$ 1,877	
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	7,000	6,917	6,720	
				8,960	8,863	8,597	1.03 %
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien (2)	7.50% (L + 6.25%/Q)	7/7/2020	7,242	7,064	6,807	0.81 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/M)	4/21/2017	6,859	6,828	6,344	0.76 %
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (L + 8.25%/Q)	3/16/2018	7,000	6,953	5,443	0.65 %
Packaging Coordinators, Inc. (13)							
Healthcare Products	Second lien (3)	9.00% (L + 8.00%/Q)	8/1/2022	5,000	4,957	4,925	0.59 %
Immucor, Inc.							
Healthcare Services	Subordinated (2)(9)	11.13%/S	8/15/2019	5,000	4,963	4,575	0.55 %
GCA Services Group, Inc.							
Business Services	Second lien (3)	9.25% (L + 8.00%/Q)	11/2/2020	4,000	3,973	3,950	0.47 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,471	0.30 %
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (3)	9.25% (L + 8.25%/Q)	3/10/2022	2,500	2,479	2,313	0.28 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,933	1,940	0.23 %
Education Management Corporation (22)							
Education Management II LLC							
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	238	69	
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	134	39	
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	437	375	46	
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	247	212	26	
				1,075	959	180	0.02 %
ATI Acquisition Company (fka Ability Acquisition, Inc.) (14)							
Education	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	1,665	1,434	—	
	First lien (2)	17.25% (P + 10.00% + 4.00% PIK/Q) (8)*	6/30/2012 - Past Due	103	94	—	
				1,768	1,528	—	— %
Total Funded Debt Investments - United States				**$ 1,314,464**	**$ 1,297,775**	**$ 1,237,175**	**147.83 %**
Total Funded Debt Investments				**$ 1,400,598**	**$ 1,382,229**	**$ 1,314,004**	**157.01 %**
Equity - United Kingdom							
Packaging Coordinators, Inc. (13)							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares (2)	—	—	19,427	$ 578	$ 1,612	0.19 %
Total Shares - United Kingdom					**$ 578**	**$ 1,612**	**0.19 %**
Equity - United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares (3)(20)	12.00% (10.00% + 2.00% PIK/Q)*	—	52,058	$ 51,518	$ 51,911	6.20 %

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TWDiamondback Holdings Corp. (18)							
Distribution & Logistics	Preferred shares (4)	—	—	200	$ 2,000	$ 2,000	0.24 %
TW-NHME Holdings Corp. (23)							
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,000	0.12 %
Ancora Acquisition LLC (14)							
Education	Preferred shares (6)	—	—	372	83	393	0.05 %
Education Management Corporation (22)							
Education	Preferred shares (2)	—	—	3,331	200	10	
	Preferred shares (3)	—	—	1,879	113	5	
	Ordinary shares (2)	—	—	2,994,065	100	202	
	Ordinary shares (3)	—	—	1,688,976	56	114	
					469	331	0.04 %
Total Shares - United States					**$ 55,070**	**$ 55,635**	**6.65 %**
Total Shares					**$ 55,648**	**$ 57,247**	**6.84 %**
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors, LLC							
Media	Warrants (5)	—	5/8/2022	5	$ —	$ 5,304	0.63 %
IT'SUGAR LLC							
Retail	Warrants (3)	—	10/23/2025	94,672	817	817	0.10 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	5/5/2026	622	37	610	0.07 %
Ancora Acquisition LLC (14)							
Education	Warrants (6)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					**$ 854**	**$ 6,731**	**0.80 %**
Total Funded Investments					**$ 1,438,731**	**$ 1,377,982**	**164.65 %**
Unfunded Debt Investments - United States							
DCA Investment Holdings, LLC							
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	$ 2,047	$ (20)	$ (20)	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	(23)	— %
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	3,000	(38)	(42)	— %
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	2,700	(27)	(34)	
	First lien (4)(11) - Undrawn	—	4/20/2021	947	(9)	(12)	
				3,647	(36)	(46)	(0.01)%

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QC McKissock Investment, LLC (17)							
McKissock, LLC							
Education	First lien (2)(11) - Undrawn	—	12/31/2015	$ 1,862	$ (19)	$ (64)	(0.01)%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien (3)(11) - Undrawn	—	12/14/2016	1,900	(181)	(79)	(0.01)%
EN Engineering, L.L.C.							
Business Services	First lien (2)(11) - Undrawn	—	12/30/2016	2,348	(12)	(85)	(0.01)%
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	—	(84)	
	First lien (4)(11) - Undrawn	—	2/16/2016	605	—	(24)	
				2,763	—	(108)	(0.01)%
Total Unfunded Debt Investments				**$ 18,567**	**$ (316)**	**$ (467)**	**(0.05)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,438,415**	**$ 1,377,515**	**164.60 %**
Non-Controlled/Affiliated Investments(25)							
Funded Debt Investments - United States							
Tenawa Resource Holdings LLC (16)							
Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base + 8.00%/Q)	5/12/2019	$ 40,000	$ 39,869	$ 38,813	4.64 %
Edmentum Ultimate Holdings, LLC (19)							
Education	Subordinated (3)	8.50% PIK/Q*	6/9/2020	3,786	3,778	3,622	
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	13,715	13,715	10,547	
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,374	3,374	2,595	
				20,875	20,867	16,764	2.00 %
Total Funded Debt Investments - United States				**$ 60,875**	**$ 60,736**	**$ 55,577**	**6.64 %**
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 23,000	$ 21,914	2.62 %
Edmentum Ultimate Holdings, LLC (19)							
Education	Ordinary shares (3)	—	—	123,968	11	3,341	
	Ordinary shares (2)	—	—	107,143	9	2,888	
					20	6,229	0.74 %
Tenawa Resource Holdings LLC (16)							
QID NGL LLC							
Energy	Ordinary shares (7)	—	—	5,290,997	5,291	3,778	0.45 %
Total Shares - United States					**$ 28,311**	**$ 31,921**	**3.81 %**

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2015
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(10)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (19)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	$ 4,881	$ —	$ (211)	(0.02)%
Total Unfunded Debt Investments				**$ 4,881**	**$ —**	**$ (211)**	**(0.02)%**
Total Non-Controlled/Affiliated Investments					**$ 89,047**	**$ 87,287**	**10.43 %**
Controlled Investments(26)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	8.50% (L + 7.50%/Q)	1/13/2019	$ 6,786	$ 6,786	$ 6,640	
	First lien (3)	8.50% (L + 7.50%/Q)	1/13/2019	4,060	4,060	3,973	
	First lien (3)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	7,323	7,323	7,257	
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,487	1,487	1,417	
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	890	890	848	
				20,546	20,546	20,135	2.40 %
Total Funded Debt Investments - United States				**$ 20,546**	**$ 20,546**	**$ 20,135**	**2.40 %**
Equity - United States							
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(21)	—	—	16,680,037	$ 14,299	$ 13,870	
	Preferred shares (3)(21)	—	—	4,609,569	3,952	3,833	
	Ordinary shares (2)	—	—	2,096,477	1,925	7,528	
	Ordinary shares (3)	—	—	579,366	532	2,081	
					20,708	27,312	3.26 %
Total Shares - United States					**$ 20,708**	**$ 27,312**	**3.26 %**
Total Funded Investments					**$ 41,254**	**$ 47,447**	**5.66 %**
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	$ 2,048	$ —	$ (18)	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	(7)	
				2,806	—	(25)	— %
Total Unfunded Debt Investments				**$ 2,806**	**$ —**	**$ (25)**	**— %**
Total Controlled Investments					**$ 41,254**	**$ 47,422**	**5.66 %**
Total Investments					**$ 1,568,716**	**$ 1,512,224**	**180.69 %**

(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 Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7, *Borrowings*, for details.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2015
(in thousands, except shares)

(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) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2015.

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

(12) The Company holds investments in three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.

(13) The Company holds investments in 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.

(14) 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.

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

(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 payment-in-kind ("PIK") interest. Actual shares owned total 50,000 as of December 31, 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.

(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) The Company holds an investment in Pittsburgh Glass Works, LLC that is structured as a first lien last out term loan.

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2015
(in thousands, except shares)

(25) 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 December 31, 2015 along with transactions during the year ended December 31, 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 (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2015	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	$ —	$ 23,937	$ (3,050)	$ —	$ 1,895	$ 22,782	$ 1,171	$ —	$ —
NMFC Senior Loan Program I LLC	22,461	—	—	—	(547)	21,914	—	3,619	1,215
Tenawa Resource Holdings LLC	—	44,572	—	—	(1,981)	42,591	4,231	—	750
Total Non-Controlled/Affiliated Investments	**$ 22,461**	**$ 68,509**	**$ (3,050)**	**$ —**	**$ (633)**	**$ 87,287**	**$ 5,402**	**$ 3,619**	**$ 1,965**

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

(B) Gross 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.

(26) 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 December 31, 2015 along with transactions during the year ended December 31, 2015 in which the issuer was a controlled investment is as follows:

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2015	Interest Income	Dividend Income	Other Income
UniTek Global Services, Inc.	$ —	$ 42,780	$ (1,526)	$ —	$ 6,168	$ 47,422	$ 2,007	$ 2,559	$ 49
Total Controlled Investments	**$ —**	**$ 42,780**	**$ (1,526)**	**$ —**	**$ 6,168**	**$ 47,422**	**$ 2,007**	**$ 2,559**	**$ 49**

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

(B) Gross 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 December 31, 2015, 6.8% of the Company's total assets were non-qualifying assets.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2015

Investment Type	December 31, 2015 Percent of Total Investments at Fair Value
First lien	44.31%
Second lien	41.79%
Subordinated	5.75%
Equity and other	8.15%
Total investments	100.00%

Industry Type	December 31, 2015 Percent of Total Investments at Fair Value
Software	24.53%
Business Services	24.36%
Education	10.97%
Distribution & Logistics	7.76%
Federal Services	6.31%
Consumer Services	4.52%
Energy	4.33%
Healthcare Services	4.18%
Media	3.16%
Healthcare Products	2.49%
Business Products	2.21%
Manufacturing	1.98%
Investment Fund	1.45%
Retail	1.39%
Industrial Services	0.36%
Total investments	100.00%

Interest Rate Type	December 31, 2015 Percent of Total Investments at Fair Value
Floating rates	86.26%
Fixed rates	13.74%
Total investments	100.00%

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

March 31, 2016
(in thousands, except share data)
(unaudited)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation

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 L.L.C. ("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.

New Mountain Finance Holdings, L.L.C.

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.

New Mountain Finance AIV Holdings Corporation

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.

Structure

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 March 31, 2016, 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 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.

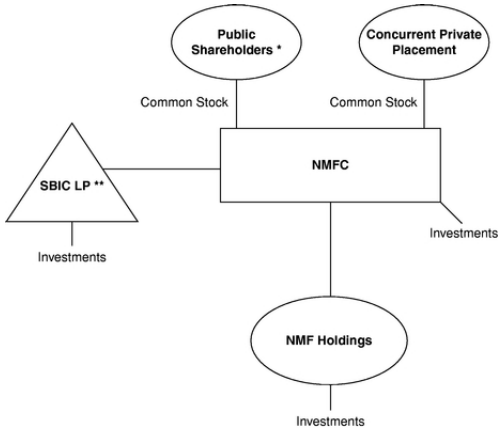
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility,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

The Company's wholly-owned subsidiaries, NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("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 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 March 31, 2016.



* 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 March 31, 2016, the Company's top five industry concentrations were business services, software, education, distribution & logistics and federal services.

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.

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

The Company's 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, 2016.

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.

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 March 31, 2016 and December 31, 2015, the Company held one collateralized agreement to resell with a cost basis of $30,000 and $30,000, respectively, and a carrying value of $29,674 and $29,704, respectively, collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $29,674 and $29,704, respectively, and guaranteed by a private hedge fund with approximately $690,000 and $716,590, respectively, of assets under management. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from the Company at the par value of the collateralized agreement once called upon by the Company or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement earned interest at a weighted average rate of 16.0% and 15.0% per annum as of March 31, 2016 and December 31, 2015, respectively.

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 March 31, 2016 and December 31, 2015.

Revenue recognition

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

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

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

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due 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.

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

Deferred financing costs—The deferred financing costs of the Company consists of capitalized expenses related to the origination and amending of the Company's borrowings. The Company amortizes these costs into expense over the stated life of the related borrowing. See Note 7, *Borrowings*, for details. On January 1, 2016, the Company adopted Accounting Standards Update No. 2015-03, *Interest—Imputation of Interest Subtopic 835-30—Simplifying the Presentation of Debt Issuance Costs*("ASU 2015-03"). Upon adoption, the Company revised its presentation of deferred financing costs from an asset to a liability, which is a direct deduction to its debt on the Consolidated Statements of Assets and Liabilities. In addition, the Company retrospectively revised its presentation of $13,992 of deferred financing costs that were previously presented as an asset as of December 31, 2015, which resulted in a decrease to total assets and total liabilities as of December 31, 2015.

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

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

To continue to qualify 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 months ended March 31, 2016, the Company recognized a total income tax benefit of approximately $683 for the Company's consolidated subsidiaries. For the three months ended March 31, 2016, the Company recorded current income tax expense of approximately $41 and deferred income tax benefit of approximately $724, which excludes a deferred tax benefit of $178 attributable to one of the Company's consolidated subsidiaries. For the three months ended March 31, 2015, the Company recognized a total provision for income taxes of approximately $650 for the Company's consolidated subsidiaries. For the three months ended March 31, 2015, the Company recorded current income tax expense of approximately $149 and deferred income tax expense of approximately $501.

As of March 31, 2016 and December 31, 2015, the Company had $952 and $1,676, 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. As of March 31, 2016 and December 31, 2015, the Company had a deferred tax asset of $698 and $520, respectively, attributable to one of the Company's consolidated subsidiaries primarily related to net operating losses. The Company has determined that it is more likely than not that the subsidiary will have insufficient taxable income to realize some portion or all of the deferred tax asset. As such, as of March 31, 2016 and December 31, 2015, a full valuation allowance of $698 and $520, respectively, has been recorded against the deferred tax asset.

The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 ("ASC 740"). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold through December 31, 2015. The 2012 through 2015 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.

Share repurchase plan—On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to $50,000 worth of the Company's common stock. Under the repurchase program, the Company may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time provided that it complies with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases will be conducted in accordance with the 1940 Act.

Unless amended or extended by the Company's board of directors, the Company expects the repurchase program to be in place until the earlier of December 31, 2016 or until $50,000 of the Company's outstanding shares of common stock have been repurchased. During the quarter ended March 31, 2016, the Company repurchased a total of 124,950 shares of the Company's common stock in the open market for $1,433. The shares were repurchased at a weighted average price of $11.47 per share, including commissions paid.

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

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.

Note 3. Investments

At March 31, 2016, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 708,052	$ 671,710
Second lien	660,439	614,957
Subordinated	85,932	79,270
Equity and other	106,658	124,266
Total investments	$ 1,561,081	$ 1,490,203

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	$ 363,452	$ 363,291
Software	376,920	358,458
Education	169,302	168,903
Distribution & Logistics	126,119	111,643
Federal Services	98,911	98,556
Consumer Services	76,161	74,066
Energy	96,749	66,588
Healthcare Services	57,664	55,051
Media	41,852	44,727
Healthcare Products	38,685	41,052
Business Products	34,427	30,286
Manufacturing	29,857	30,000
Investment Fund	23,000	21,574
Retail	21,024	20,950
Industrial Services	6,958	5,058
Total investments	$ 1,561,081	$ 1,490,203

At December 31, 2015, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 711,601	$ 670,023
Second lien	656,165	631,985
Subordinated	95,429	87,005
Equity and other	105,521	123,211
Total investments	$ 1,568,716	$ 1,512,224

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 384,805	$ 370,892
Business Services	367,109	368,409
Education	167,222	165,947
Distribution & Logistics	123,053	117,375
Federal Services	95,459	95,477
Consumer Services	69,250	68,269
Energy	96,717	65,521
Healthcare Services	66,923	63,255
Media	43,489	47,804
Healthcare Products	38,664	37,648
Business Products	35,188	33,420
Manufacturing	29,852	29,850
Investment Fund	23,000	21,914
Retail	21,032	21,000
Industrial Services	6,953	5,443
Total investments	$ 1,568,716	$ 1,512,224

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 of $851 for the six months ended June 30, 2015. 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 March 31, 2016, the Company's investments in Edmentum have an aggregate cost basis of $23,114 and an aggregate fair value of $25,452.

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 March 31, 2016, the Company's investments in EDMC have an aggregate cost basis of $1,445 and an aggregate fair value of $567.

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 basis 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 March 31, 2016, the Company's investments in UniTek have an aggregate cost basis of $42,082 and an aggregate fair value of $49,429.

As of March 31, 2016, 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 March 31, 2016, the Company's investment had an aggregate cost basis of $1,611, an aggregate fair value of $393 and no unearned interest income for the three months then ended. For the three months ended March 31, 2015, total unearned interest income was $83. As of December 31, 2015, the Company's investment had an aggregate cost basis of $1,611 and an aggregate fair value of $393. As of March 31, 2016 and December 31, 2015, unrealized gains (losses) include a fee that the Company would recognize upon realization of the two super priority first lien debt investments.

As of March 31, 2016, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $15,212 and $0, respectively. As of March 31, 2016, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $6,795. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2016.

As of December 31, 2015, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $17,576 and $0, respectively. As of December 31, 2015, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $8,678. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2015.

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 invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with $93,000 of capital commitments, $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 March 31, 2016, SLP I had total investments with an aggregate fair value of approximately $344,077, debt outstanding of $265,017 and capital that had been called and funded of $93,000. As of December 31, 2015, SLP I had total investments with an aggregate fair value of approximately $349,704, debt outstanding of $267,617 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 March 31, 2016 and December 31, 2015.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2016 and March 31, 2015, the Company earned approximately $300 and $301, respectively, in management fees related to SLP I which is included in other income. As of March 31, 2016 and December 31, 2015, approximately $611 and $311, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2016 and March 31, 2015, the Company earned approximately $920 and $858, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2016 and December 31, 2015, approximately $1,022 and $918, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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.

In accordance with Regulation S-X Rule 10-01(b)(1), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule. As of March 31, 2016, UniTek is considered a significant unconsolidated subsidiary under Regulation S-X Rule 10-01(b)(1). Based on the requirements under Regulation S-X 10-01(b)(1), the summarized consolidated financial information of UniTek is shown below:

	Three Months Ended	
Summary of Operations:	**April 4, 2016**	**April 2, 2015**
Net sales	$ 68,343	$ 66,731
Cost of goods sold	52,436	55,936
Gross profit	15,907	10,795
Other expenses	14,193	16,389
Net income (loss) from continuing operations before extraordinary items	1,714	(5,594)
Loss from discontinued operations	—	—
Net income (loss)	$ 1,714	$ (5,594)

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 and unobservable. Gains and losses for such assets categorized within the Level III table below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 March 31, 2016:

	Total	Level I	Level II	Level III
First lien	$ 671,710	$ —	$ 328,255	$ 343,455
Second lien	614,957	—	382,364	232,593
Subordinated	79,270	—	38,526	40,744
Equity and other	124,266	375	18	123,873
Total investments	$ 1,490,203	$ 375	$ 749,163	$ 740,665

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2015:

	Total	Level I	Level II	Level III
First lien	$ 670,023	$ —	$ 329,133	$ 340,890
Second lien	631,985	—	449,227	182,758
Subordinated	87,005	—	33,546	53,459
Equity and other	123,211	316	15	122,880
Total investments	$ 1,512,224	$ 316	$ 811,921	$ 699,987

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2016, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at March 31, 2016:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2015	$ 699,987	$ 340,890	$ 182,758	$ 53,459	$ 122,880
Total gains or losses included in earnings:					
Net realized gains on investments	147	28	—	119	—
Net change in unrealized (depreciation) appreciation	(1,903)	1,977	(5,294)	1,557	(143)
Purchases, including capitalized PIK and revolver fundings	23,468	2,629	19,094	609	1,136
Proceeds from sales and paydowns of investments	(17,069)	(2,069)	—	(15,000)	—
Transfers into Level III(1)	36,035	—	36,035	—	—
Fair Value, March 31, 2016	$ 740,665	$ 343,455	$ 232,593	$ 40,744	$ 123,873
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:	$ (1,783)	$ 1,977	$ (5,294)	$ 1,677	$ (143)

(1) As of March 31, 2016, portfolio investments were transferred into Level III from Level II at fair value as of the beginning of the quarter in which the reclassification occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 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 March 31, 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 gains (losses) on investments	1,442	(11,317)	310	—	12,449
Net change in unrealized appreciation (depreciation)	6,442	9,881	(430)	162	(3,171)
Purchases, including capitalized PIK and revolver fundings(1)	60,003	25,354	12,350	2,430	19,869
Proceeds from sales and paydowns of investments(1)	(98,394)	(40,440)	(43,900)	—	(14,054)
Fair Value, March 31, 2015	$ 389,174	$ 152,658	$ 102,736	$ 38,062	$ 95,718
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:	$ 8,683	$ (808)	$ 216	$ 162	$ 9,113

(1) Includes reorganizations and restructurings.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during thethree months ended March 31, 2016 and March 31, 2015. Transfers into Level III occur as quotations obtained through pricing services are not deemed representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfer into Level III occur based on the increase or decrease in the availability of certain observable inputs. The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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

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

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

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

Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2016 and December 31, 2015, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes this was a reasonable range in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2016 and December 31, 2015, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

The unobservable inputs used in the fair value measurement of the Company's Level III investments as ofMarch 31, 2016 were as follows:

Type	Fair Value as of March 31, 2016	Approach	Unobservable Input	Range		
				Low	High	Weighted Average
First lien	$ 297,695	Market & income approach	EBITDA multiple	4.5x	16.0x	9.6x
			Discount rate	6.4%	15.0%	10.6%
	30,635	Market quote	Broker quote	N/A	N/A	N/A
	15,125	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Second lien	126,014	Market & income approach	EBITDA multiple	6.5x	16.5	11.7x
			Discount rate	10.1%	12.8%	11.8%
	67,579	Market quote	Broker quote	N/A	N/A	N/A
	39,000	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Subordinated	40,744	Market & income approach	EBITDA multiple	4.5x	8.5x	7.4x
			Discount rate	10.1%	18.3%	17.0%
Equity and other	121,289	Market & income approach	EBITDA multiple	2.5x	12.0x	6.6
			Discount rate	8.0%	21.3%	15.1%
	1,426	Black Scholes analysis	Expected life in years	9.6	10.0	9.8
			Volatility	29.0%	29.5%	29.2%
			Discount rate	1.9%	1.9%	1.9%
	1,158	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
	$ 740,665					

(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.

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2015 were as follows:

Type	Fair Value as of December 31, 2015	Approach	Unobservable Input	Range		
				Low	High	Weighted Average
First lien	$ 292,507	Market & income approach	EBITDA multiple	4.5x	15.5x	10.0x
			Discount rate	7.3%	13.9%	11.0%
	30,719	Market quote	Broker quote	N/A	N/A	N/A
	17,664	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Second lien	88,977	Market & income approach	EBITDA multiple	6.5x	16.0x	12.3x
			Discount rate	10.0%	14.2%	12.7%
	41,544	Market quote	Broker quote	N/A	N/A	N/A
	52,237	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Subordinated	38,459	Market & income approach	EBITDA multiple	4.5x	9.0x	7.6x
			Discount rate	10.0%	19.4%	17.7%
	15,000	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Equity and other	121,453	Market & income approach	EBITDA multiple	2.5x	12.0x	6.3x
			Discount rate	8.0%	21.3%	14.6%
	1,427	Black Scholes analysis	Expected life in years	9.8	10.3	10.0
			Volatility	27.0%	30.3%	28.9%
			Discount rate	2.1%	2.1%	2.1%
	$ 699,987					

(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 March 31, 2016, 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 March 31, 2016 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 March 31, 2016 was $111,838, 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 March 31, 2016 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 as of March 31, 2016 and March 31, 2015 approximated $297,871 and $318,638, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended March 31, 2016 and March 31, 2015, management fees waived were approximately $1,319 and $1,382, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company's "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of March 31, 2016), 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 months ended March 31, 2016 and March 31, 2015.

	Three Months Ended	
	March 31, 2016	**March 31, 2015**
Management fee	$ 6,836	$ 6,468
Less: management fee waiver	(1,319)	(1,382)
Total management fee	5,517	5,086
Incentive fee, excluding accrued capital gains incentive fees	$ 5,385	$ 4,878
Accrued capital gains incentive fees(1)	$ —	$ 481

(1) As of March 31, 2016 and March 31, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

The Company's Consolidated Statements of Operations below are adjusted as if the step-up in cost basis to fair market value had occurred at the IPO date, May 19, 2011.

The following Consolidated Statement of Operations for the three months ended March 31, 2016 is adjusted to reflect this step-up to fair market value.

	Three Months Ended March 31, 2016	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended March 31, 2016
Investment income			
Interest income(1)	$ 37,790	$ (29)	$ 37,761
Dividend income(2)	1,639	—	1,639
Other income	1,547	—	1,547
Total investment income(3)	40,976	(29)	40,947
Total expenses pre-incentive fee(4)	14,024	—	14,024
Pre-Incentive Fee Net Investment Income	26,952	(29)	26,923
Incentive fee(5)	5,385	—	5,385
Post-Incentive Fee Net Investment Income	21,567	(29)	21,538
Net realized gains (losses) on investments(6)	176	(38)	138
Net change in unrealized (depreciation) appreciation of investments(6)	(14,386)	67	(14,319)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(30)	—	(30)
Benefit for taxes	724	—	724
Net increase in net assets resulting from operations	$ 8,051		$ 8,051

(1) Includes $953 in PIK interest from investments.
(2) Includes $719 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 $284 and management fee waivers of $1,319.
(5) For the three months ended March 31, 2016, the Company incurred total incentive fees of $5,385, 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 Statement of Operations for the three months ended March 31, 2015 is adjusted to reflect this step-up to fair market value.

	Three Months Ended March 31, 2015	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended March 31, 2015
Investment income			
Interest income(1)	$ 33,347	$ (33)	$ 33,314
Dividend income(2)	1,307	—	1,307
Other income	1,882	—	1,882
Total investment income(3)	36,536	(33)	36,503
Total net expenses pre-incentive fee(4)	12,115	—	12,115
Pre-Incentive Fee Net Investment Income	24,421	(33)	24,388
Incentive fee(5)	5,359	—	5,359
Post-Incentive Fee Net Investment Income	19,062	(33)	19,029
Net realized losses on investments(6)	(133)	—	(133)
Net change in unrealized appreciation (depreciation) of investments(6)	4,486	33	4,519
Provision for taxes	(501)	—	(501)
Net increase in net assets resulting from operations	$ 22,914		$ 22,914

(1) Includes $654 in PIK interest from investments.
(2) Includes $548 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 $400 and management fee waivers of $1,382.
(5) For the three months ended March 31, 2015, the Company incurred total incentive fees of $5,359, of which $481 related to capital gains incentive fees on a hypothetical liquidation basis.
(6) Includes net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled 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, 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 months ended March 31, 2016 and March 31, 2015, approximately $568 and $400, respectively, of indirect administrative expenses were included in administrative expenses of which $284 and $400, respectively, of indirect administrative expenses were waived by the Administrator. As of March 31, 2016 and December 31, 2015, approximately $658 and $374, 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 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.

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 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.

Effective January 1, 2016, the Holdings Credit Facility bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Previously, the Holdings Credit Facility bore interest at a rate of 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).

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Interest expense	$ 2,643	$ 2,893
Non-usage fee	$ 125	$ 56
Amortization of financing costs	$ 402	$ 397
Weighted average interest rate	2.6%	2.6%
Effective interest rate	3.2%	3.0%
Average debt outstanding	$ 394,710	$ 449,498

As of March 31, 2016 and December 31, 2015, the outstanding balance on the Holdings Credit Facility was $397,513 and $419,313, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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).

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).

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

As of March 31, 2016, the maximum amount of revolving borrowings available under the NMFC Credit Facility is $110,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

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

	Three Months Ended	
	March 31, 2016	March 31, 2015
Interest expense	$ 686	$ 212
Non-usage fee	$ 3	$ 46
Amortization of financing costs	$ 89	$ 61
Weighted average interest rate	2.9%	2.7%
Effective interest rate	3.4%	4.1%
Average debt outstanding	$ 92,830	$ 31,710

As of March 31, 2016 and December 31, 2015, the outstanding balance on the NMFC Credit Facility was $96,500 and $90,000, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, the Company closed a private offering of $115,000 aggregate principal amount of 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 March 31, 2016.

	March 31, 2016
Initial conversion premium	12.5%
Initial conversion rate(1)	62.7746
Initial conversion price	$ 15.93
Conversion premium at March 31, 2016	11.7%
Conversion rate at March 31, 2016(1)(2)	63.2794
Conversion price at March 31, 2016(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 March 31, 2016 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 months ended March 31, 2016 and March 31, 2015.

	Three Months Ended	
	March 31, 2016	March 31, 2015
Interest expense	$ 1,438	$ 1,438
Amortization of financing costs	$ 185	$ 183
Effective interest rate	5.7%	5.7%

As of March 31, 2016 and December 31, 2015, 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 on such dates.

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 March 31, 2016 and December 31, 2015, SBIC LP had regulatory capital of approximately $72,402 and $72,402, respectively, and SBA-guaranteed debentures outstanding of $117,745 and $117,745, 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 March 31, 2016.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures:				
March 25, 2015	March 1, 2025	$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
Total SBA-guaranteed debentures		**$ 117,745**		

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 months ended March 31, 2016 and March 31, 2015.

	Three Months Ended	
	March 31, 2016	March 31, 2015
Interest expense	$ 883	$ 100
Amortization of financing costs	$ 98	$ 31
Weighted average interest rate	3.0%	1.1%
Effective interest rate	3.4%	1.4%
Average debt outstanding	$ 117,745	$ 37,500

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 March 31, 2016 and December 31, 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 March 31, 2016, the Company had unfunded commitments on revolving credit facilities of $15,212, no outstanding bridge financing commitments and other future funding commitments of $6,795. As of December 31, 2015, the Company had unfunded commitments on revolving credit facilities of $17,576, no outstanding bridge financing commitments and other future funding commitments of $8,678. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's respective Consolidated Schedules of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility and the NMFC Credit Facility as of March 31, 2016 and December 31, 2015. See Note 7, *Borrowings*, for details.

The Company may from time to time enter into financing commitment letters. As of March 31, 2016 and December 31, 2015, the Company had commitment letters to purchase debt investments in an aggregate par amount of $25,000 and $0, respectively, which could require funding in the future.

On March 9, 2016, the Company and SkyKnight Income, LLC ("SkyKnight") entered into a limited liability company agreement to establish a joint venture, NMFC Senior Loan Program II LLC ("SLP II"). The Company and SkyKnight have committed to provide $79,400 and $20,600 of equity, respectively, with a closing date of April 12, 2016. The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. All investment decisions must be unanimously approved by the investment committee of SLP II, which has equal representation from the Company and SkyKnight. As of March 31, 2016, no capital contributions had been made. SLP II obtained financing and began to invest during the second quarter of 2016.

As of March 31, 2016 and December 31, 2015, the Company had unfunded commitments related to an equity investment in SLP II of $79,400 and $0, respectively.

Note 10. Net Assets

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

	Common Stock		Treasury Stock	Paid in Capital in	Accumulated Undistributed Net Investment	Accumulated Undistributed Net Realized	Net Unrealized (Depreciation)	Total
	Shares	Par Amount	at Cost	Excess of Par	Income	Gains (Losses)	Appreciation	Net Assets
Balance at December 31, 2015	64,005,387	$ 640	$ —	$ 899,713	$ 4,164	$ 1,342	$ (68,951)	$ 836,908
Issuances of common stock	—	—	—	—	—	—	—	—
Repurchases of common stock	(124,950)	—	(1,433)	—	—	—	—	(1,433)
Deferred offering costs	—	—	—	38	—	—	—	38
Dividends declared	—	—	—	—	(21,719)	—	—	(21,719)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	21,567	176	(13,692)	8,051
Balance at March 31, 2016	63,880,437	$ 640	$ (1,433)	$ 899,751	$ 4,012	$ 1,518	$ (82,643)	$ 821,845

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 the three months ended March 31, 2016 and March 31, 2015:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Earnings per share—basic		
Numerator for basic earnings per share:	$ 8,051	$ 22,914
Denominator for basic weighted average share:	63,934,151	57,998,754
Basic earnings per share:	$ 0.13	$ 0.40
Earnings per share—diluted(1)		
Numerator for increase in net assets per share	$ 8,051	$ 22,914
Adjustment for interest on Convertible Notes and incentive fees, net	1,150	1,150
Numerator for diluted earnings per share:	$ 9,201	$ 24,064
Denominator for basic weighted average share	63,934,151	57,998,754
Adjustment for dilutive effect of Convertible Notes	7,277,131	7,219,083
Denominator for diluted weighted average share	71,211,282	65,217,837
Diluted earnings per share	$ 0.13	$ 0.37

(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 Company's financial highlights for thethree months ended March 31, 2016 and March 31, 2015.

	Three Months Ended	
	March 31, 2016	March 31, 2015
Per share data(1):		
Net asset value, January 1, 2016 and January 1, 2015, respectively	$ 13.08	$ 13.83
Net investment income	0.34	0.33
Net realized and unrealized (losses) gains	(0.21)	0.07
Total net increase	0.13	0.40
Dividends declared to stockholders from net investment income	(0.34)	(0.34)
Net asset value, March 31, 2016 and March 31, 2015, respectively	$ 12.87	$ 13.89
Per share market value, March 31, 2016 and March 31, 2015, respectively	$ 12.64	$ 14.60
Total return based on market value(2)	(0.31)%	—%
Total return based on net asset value(3)	0.99 %	2.86 %
Shares outstanding at end of period	63,880,437	58,075,605
Average weighted shares outstanding for the period	63,934,151	57,998,754
Average net assets for the period	$ 822,010	$ 806,451
Ratio to average net assets:		
Net investment income	10.55 %	9.59 %
Total expenses, before waivers/reimbursements	10.28 %	9.68 %
Total expenses, net of waivers/reimbursements	9.50 %	8.79 %
Average debt outstanding—Holdings Credit Facility	$ 394,710	$ 449,498
Average debt outstanding—SBA-guaranteed debentures	117,745	37,500
Average debt outstanding—Convertible Notes	115,000	115,000
Average debt outstanding—NMFC Credit Facility	92,830	31,710
Asset coverage ratio(4)	234.95 %	228.75 %
Portfolio turnover	1.85 %	4.79 %

(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) 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.

(3) 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.

(4) 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.

Note 13. Recent Accounting Standards Updates

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 February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation Topic 810—Amendments to the Consolidation Analysis* ("ASU 2015-02"), which modifies the consolidation analysis in determining if limited partnerships or similar type entities fall under the variable interest model or voting interest model, particularly those that have fee arrangements and related party relationships. ASU 2015-02 will be effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. On January 1, 2016, the Company adopted ASU 2015-02. The adoption did not have an 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. On January 1, 2016, the Company adopted ASU 2015-03. Upon adoption, the Company revised its presentation of deferred financing costs from an asset to a liability, which is a direct deduction to its debt on the Consolidated Statements of Assets and Liabilities. In addition, the Company retrospectively revised its presentation of $13,992 of deferred financing costs that were previously presented as an asset as of December 31, 2015, which resulted in a decrease to total assets and total liabilities as of December 31, 2015.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Overall Subtopic 825-10—Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. The Company is in the process of evaluating the impact that this guidance will have on the Company's consolidated financial statements and disclosures.

Note 14. Subsequent Events

On April 12, 2016, SLP II closed its $275,000 revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum.

On May 3, 2016, the Company's board of directors declared a second quarter 2016 distribution of $0.34 per share payable on June 30, 2016 to holders of record as of June 16, 2016.

On May 4, 2016, the Company entered into a Commitment Increase Agreement (the "Commitment Agreement") related to the Company's NMFC Credit Facility. The Commitment Agreement increases the total commitments under the NMFC Credit Facility from $110,000 to $122,500 from existing lenders in accordance with the accordion feature of the NMFC Credit Facility.

On May 4, 2016, the Company entered into a Note Purchase Agreement governing the issuance of $50,000 in aggregate principal amount of five-year senior unsecured notes (the "Notes") to an institutional investor in a private placement. The issuance of the Notes is expected to occur on May 6, 2016. The Notes will rank pari-passu with the Company's other unsecured indebtedness, including the Company's Convertible Notes. The Notes have a fixed interest rate of 5.313% and are due on May 15, 2021. Interest on the Notes will be due semiannually. This interest rate is subject to increase in the event that: (i) subject to certain exceptions, the Notes or the Company cease to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below $150,000. In each such event, the Company also has the option to offer to prepay the Notes at par, in which case the holders of the Notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company's investment adviser or if certain change in control events occur with respect to the Investment Adviser. The Note Purchase Agreement for the Notes also contains customary terms and conditions for senior unsecured notes issued in a private placement, including, without limitation, affirmative and negative covenants such as information reporting, maintenance of the Company's status as a BDC under the 1940 Act and a RIC under the Internal Revenue Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at the Company or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of the Company or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

Deloitte & Touche LLP

30 Rockefeller Plaza
New York, NY 10112
USA

Tel: 212 436 2000
Fax: 212 436 5000
www.deloitte.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board 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 March 31, 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the three month periods ended March 31, 2016 and 2015. 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 and subsidiaries as of December 31, 2015, and 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 February 29, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of December 31, 2015, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

May 4, 2016

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 financial data and our 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 our future performance or our financial condition. The forward-looking statements contained in this section involve a number of risks and uncertainties, including:

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates); and
- the risk factors set forth in*Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year endedDecember 31, 2015.

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, 2015.

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

New Mountain Finance Corporation

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

On May 19, 2011, we priced our 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, we sold an additional 2,172,000 shares of our common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with our IPO and through a series of transactions, 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.

New Mountain Finance Holdings, L.L.C.

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 us. 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 us. 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 our wholly-owned indirect subsidiary. NMF SLF was bankruptcy-remote and non-recourse to us. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014. See *"—Borrowings"* for additional information on our credit facilities.

New Mountain Finance AIV Holdings Corporation

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.

(1) Includes amounts committed, not all of which have been drawn down and invested to date, as ofMarch 31, 2016.

Structure

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 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 and its stockholders 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 our IPO, and through March 31, 2016, we raised approximately $454.0 million in net proceeds from additional offerings of common stock and issued shares of common stock valued at approximately $288.4 million on behalf of AIV Holdings for exchanged units. We acquired from NMF Holdings units of NMF Holdings equal to the number of shares of our common stock sold in additional offerings. With the completion of the final secondary offering on February 3, 2014, we owned 100.0% of the units of NMF Holdings, which became our wholly-owned subsidiary.

Restructuring

As a BDC, AIV Holdings had been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of AIV Holdings' business model, AIV Holdings' board of directors determined that continuation as a BDC was not in the best 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 SEC of AIV Holdings' notification of withdrawal on Form N-54C on April 15, 2014. The board of directors of AIV Holdings believed that AIV Holdings met the requirements for filing the notification to withdraw its election to be regulated as a BDC, upon the receipt of the necessary stockholder consent. After the notification of withdrawal of AIV Holdings' BDC election was filed with the SEC, AIV Holdings was no longer subject to the regulatory provisions of the 1940 Act applicable to BDCs generally, including regulations related to insurance, custody, composition of its board of directors, affiliated transactions and any compensation arrangements.

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

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

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

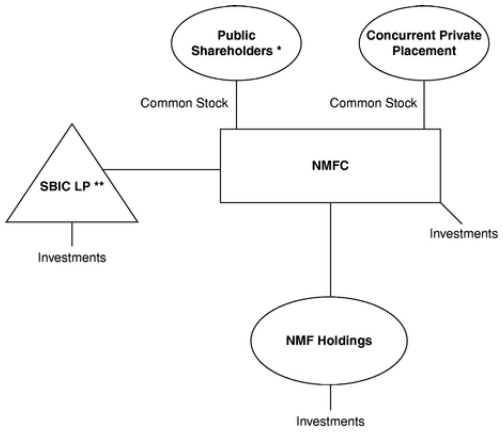
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility,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

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

Current Organization

Our wholly-owned subsidiaries, NMF Ancora Holdings Inc. (“NMF Ancora”), NMF QID NGL Holdings, Inc. (“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). We consolidate our tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. (“NMF Servicing”) serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. (“SBIC 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 our consolidated wholly-owned direct and indirect subsidiaries. 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 our organizational structure as ofMarch 31, 2016.



* 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.

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, our 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 us, SBIC LP's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC LP's investments must be in SBA eligible companies. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2016, our top five industry concentrations were business services, software, education, distribution & logistics and federal services.

As of March 31, 2016, our net asset value was$821.8 million and our portfolio had a fair value of approximately$1,490.2 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 our portfolio or other factors.

Recent Developments

On April 12, 2016, NMFC Senior Loan Program II LLC ("SLP II") closed its $275.0 million revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum.

On May 3, 2016, our board of directors declared a second quarter 2016 distribution of $0.34 per share payable on June 30, 2016 to holders of record as of June 16, 2016.

On May 4, 2016, we entered into a Commitment Increase Agreement (the “Commitment Agreement”) related to the Company’s existing senior secured revolving credit facility maturing on June 4, 2019 provided by Goldman Sachs Bank USA as the Administrative Agent and Issuing Bank and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders (the “NMFC Credit Facility”). The Commitment Agreement increases the total commitments under the NMFC Credit Facility from $110.0 million to $122.5 million from existing lenders in accordance with the accordion feature of the NMFC Credit Facility.

On May 4, 2016, we entered into a Note Purchase Agreement governing the issuance of $50.0 million in aggregate principal amount of five-year senior unsecured notes (the “Notes”) to an institutional investor in a private placement. The issuance of the Notes is expected to occur on May 6, 2016. The Notes will rank pari-passu with our other unsecured indebtedness, including our convertible notes issued on June 3, 2014. The Notes have a fixed interest rate of 5.313% and are due on May 15, 2021. Interest on the Notes will be due semiannually. This interest rate is subject to increase in the event that: (i) subject to certain exceptions, the Notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below $150.0 million. In each such event, we also have the option to offer to prepay the Notes at par, in which case the holders of the Notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser. The Note Purchase Agreement for the Notes also contains customary terms and conditions for senior unsecured notes issued in a private placement, including, without limitation, affirmative and negative covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Internal Revenue Code, minimum stockholders’ equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under our other indebtedness or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

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

We consolidate our wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, SBIC LP, SBIC GP, NMF Ancora, NMF QID and NMF YP. Previously, we consolidated our wholly-owned indirect subsidiary NMF SLF until it merged with and into NMF Holdings on December 18, 2014. See*"—Borrowings"* for additional information on our credit facilities. We are an investment company following accounting and reporting guidance as described in Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*, ("ASC 946").

Valuation and Leveling of Portfolio Investments

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

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

(1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.

(2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.

a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and

b. For investments other than bonds, we look at the number of quotes readily available and perform the following:

i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;

ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

(3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;

b. Preliminary valuation conclusions will then be documented and discussed with our senior management;

c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and

d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being

performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period and the fluctuations could be material.

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 our portfolio investments fall into as of March 31, 2016:

(in thousands)	Total	Level I	Level II	Level III
First lien	$ 671,710	$ —	$ 328,255	$ 343,455
Second lien	614,957	—	382,364	232,593
Subordinated	79,270	—	38,526	40,744
Equity and other	124,266	375	18	123,873
Total investments	$ 1,490,203	$ 375	$ 749,163	$ 740,665

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

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

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

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

Market Based Approach: We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2016, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe this was a reasonable range in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2016, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

The unobservable inputs used in the fair value measurement of our Level III investments as ofMarch 31, 2016 were as follows:

(in thousands)				Range		
Type	Fair Value as of March 31, 2016	Approach	Unobservable Input	Low	High	Weighted Average
First lien	$ 297,695	Market & income approach	EBITDA multiple	4.5x	16.0x	9.6x
			Discount rate	6.4%	15.0%	10.6%
	30,635	Market quote	Broker quote	N/A	N/A	N/A
	15,125	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Second lien	126,014	Market & income approach	EBITDA multiple	6.5x	16.5	11.7x
			Discount rate	10.1%	12.8%	11.8%
	67,579	Market quote	Broker quote	N/A	N/A	N/A
	39,000	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
Subordinated	40,744	Market & income approach	EBITDA multiple	4.5x	8.5x	7.4x
			Discount rate	10.1%	18.3%	17.0%
Equity and other	121,289	Market & income approach	EBITDA multiple	2.5x	12.0x	6.6
			Discount rate	8.0%	21.3%	15.1%
	1,426	Black Scholes analysis	Expected life in years	9.6	10.0	9.8
			Volatility	29.0%	29.5%	29.2%
			Discount rate	1.9%	1.9%	1.9%
	1,158	Other	N/A(1)	N/A (1)	N/A (1)	N/A (1)
	$ 740,665					

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

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions, and as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "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 invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with $93.0 million of capital commitments, $275.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of March 31, 2016, SLP I had total investments with an aggregate fair value of approximately $344.1 million, debt outstanding of $265.0 million and capital that had been called and funded of $93.0 million. As of December 31, 2015, SLP I had total investments with an aggregate fair value of approximately $349.7 million, debt outstanding of $267.6 million and capital that had been called and funded of $93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedules of Investments as of March 31, 2016 and December 31, 2015.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2016 and March 31, 2015, we earned approximately $0.3 million and $0.3 million, respectively, in management fees related to SLP I which is included in other income. As of March 31, 2016 and December 31, 2015, approximately $0.6 million and $0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2016 and March 31, 2015, we earned approximately $0.9 million and $0.9 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2016 and December 31, 2015, approximately $1.0 million and $0.9 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2016 and December 31, 2015, we held one collateralized agreement to resell with a cost basis of $30.0 million and $30.0 million, respectively, and a carrying value of $29.7 million and $29.7 million, respectively, collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $29.7 million and $29.7 million, respectively, and guaranteed by a private hedge fund with approximately $690.0 million and $716.6 million, respectively, of assets under management. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from us at the par value of the collateralized agreement once called upon by us or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement earned interest at a weighted average rate of 16.0% and 15.0% per annum as of March 31, 2016 and December 31, 2015, respectively.

Revenue Recognition

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

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

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

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

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

Monitoring of Portfolio Investments

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

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

- Investment Rating 1—Investment is performing materially above expectations;
- Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;
- Investment Rating 3—Investment is performing materially below expectations and 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 we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of March 31, 2016:

(in millions)	As of March 31, 2016			
Investment Rating	**Par Value(1)**	**Percent**	**Fair Value**	**Percent**
Investment Rating 1	$ 234.0	15.6%	$ 282.9	19.0%
Investment Rating 2	1,162.7	77.4%	1,155.2	77.5%
Investment Rating 3	103.2	6.9%	51.7	3.5%
Investment Rating 4	1.8	0.1%	0.4	—
	$ 1,501.7	100.0%	$ 1,490.2	100.0%

(1) Excludes shares and warrants.

As of March 31, 2016, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of six portfolio companies; five portfolio companies with an Investment Rating of 3 and one portfolio company with an Investment Rating of 4.

During the first quarter of 2015, we placed a portion of our second lien position in Edmentum, Inc. (“Edmentum”) on non-accrual status due to its ongoing restructuring. As of March 31, 2015, our 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 our original investment in Edmentum. Prior to the extinguishment in June 2015, our 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 of $0.8 million for the six months ended June 30, 2015. The extinguishment resulted in a realized loss of $15.2 million. Post restructuring, our investments in Edmentum have been restored to full accrual status. As of March 31, 2016, our investments in Edmentum have an aggregate cost basis of $23.1 million and an aggregate fair value of $25.5 million.

During the first quarter of 2015, our 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, our 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 our original investment in EDMC. Prior to the extinguishment in January 2015, our 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, our investments in EDMC are income producing. As of March 31, 2016, our investments in EDMC have an aggregate cost basis of $1.4 million and an aggregate fair value of $0.6 million.

During the third quarter of 2014, we placed a portion of our 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, our investment in UniTek had an aggregate cost basis 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 our original investments in UniTek. Prior to the extinguishment in January 2015, our 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, our investments in UniTek have been restored to full accrual status. As of March 31, 2016, our investments in UniTek have an aggregate cost basis of $42.1 million and an aggregate fair value of $49.4 million.

As of March 31, 2016, our 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 March 31, 2016, our 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 March 31, 2016, our 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 no unearned interest income for the three months then ended. For the three months ended March 31, 2015, total unearned interest income was $0.1 million. As of December 31, 2015, our investment had an aggregate cost basis of $1.6 million and an aggregate fair value of $0.4 million. As of March 31, 2016 and December 31, 2015, unrealized gains (losses) include a fee that we would recognize upon realization of the two super priority first lien debt investments.

Portfolio and Investment Activity

The fair value of our investments was approximately $1,490.2 million in 73 portfolio companies at March 31, 2016 and approximately $1,512.2 million in 75 portfolio companies at December 31, 2015.

The following table shows our portfolio and investment activity for the three months ended March 31, 2016 and March 31, 2015:

	Three Months Ended	
(in millions)	**March 31, 2016**	**March 31, 2015**
New investments in 7 and 7 portfolio companies, respectively	$ 27.6	$ 67.2
Debt repayments in existing portfolio companies	24.4	50.0
Sales of securities in 1 and 10 portfolio companies, respectively	15.8	43.3
Change in unrealized appreciation on 37 and 42 portfolio companies, respectively	19.6	33.7
Change in unrealized depreciation on 38 and 31 portfolio companies, respectively	(34.0)	(29.2)

At March 31, 2016 and March 31, 2015, our weighted average Yield to Maturity at Cost was approximately10.4% and 10.6%, respectively.

Recent Accounting Standards Updates

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 our consolidated financial statements and disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation Topic 810—Amendments to the Consolidation Analysis* ("ASU 2015-02"), which modifies the consolidation analysis in determining if limited partnerships or similar type entities fall under the variable interest model or voting interest model, particularly those that have fee arrangements and related party relationships. ASU 2015-02 will be effective for all public entities for interim and annual reporting periods beginning after December 15, 2015. Earlier adoption is permitted. On January 1, 2016, we adopted ASU 2015-02. The adoption did not have an impact on our 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. On January 1, 2016, we adopted ASU 2015-03. Upon adoption, we revised our presentation of deferred financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, we retrospectively revised our presentation of $14.0 million of deferred financing costs that were previously presented as an asset as of December 31, 2015, which resulted in a decrease to total assets and total liabilities as of December 31, 2015.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01,*Financial Instruments—Overall Subtopic 825-10—Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. We are in the process of evaluating the impact that this guidance will have on our consolidated financial statements and disclosures.

Results of Operations

Under GAAP, our IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, and different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. We track the transferred (or fair market) value of each of the Predecessor Operating Company's investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts income as if each investment was purchased at the date of the IPO (or stepped up to fair market value). The respective "Adjusted Net Investment Income" (defined as net investment income adjusted to reflect income as if the cost basis of investments held at the IPO date had stepped-up to fair market value as of the IPO date) is used in calculating both the incentive fee and dividend payments. See *Item 1.—Financial Statements—Note 5. Agreements* for additional details.

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

(in thousands)	Three Months Ended March 31, 2016	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Three Months Ended March 31, 2016
Investment income				
Interest income	$ 37,790	$ (29)	$ —	$ 37,761
Dividend income	1,639	—	—	1,639
Other income	1,547	—	—	1,547
Total investment income(2)	40,976	(29)	—	40,947
Total expenses pre-incentive fee(3)	14,024	—	—	14,024
Pre-Incentive Fee Net Investment Income	26,952	(29)	—	26,923
Incentive fee	5,385	—	—	5,385
Post-Incentive Fee Net Investment Income	21,567	(29)	—	21,538
Net realized gains (losses) on investments(4)	176	(38)	—	138
Net change in unrealized (depreciation) appreciation of investments(4)	(14,386)	67	—	(14,319)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(30)	—	—	(30)
Benefit for taxes	724	—	—	724
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	$ 8,051			$ 8,051

(1) For the three months ended March 31, 2016, we incurred total incentive fees of $5.4 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

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

(3) Includes expense waivers and reimbursements of $0.3 million and management fee waivers of $1.3 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 three months ended March 31, 2016, we had a less than $0.1 million adjustment to interest income for amortization, a decrease of less than $0.1 million 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 March 31, 2016, total adjusted investment income of $40.9 million consisted of approximately $35.9 million in cash interest from investments, approximately $1.0 million in PIK interest from investments, approximately $0.2 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $0.7 million, approximately $0.9 million in cash dividends from investments, $0.7 million in PIK dividends from investments and approximately $1.5 million in other income. Our Adjusted Net Investment Income was $21.5 million for the three months ended March 31, 2016.

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

Results of Operations for the Three Months Ended March 31, 2016 and March 31, 2015

Revenue

(in thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Percentage Change
Interest income	$ 37,790	$ 33,347	13 %
Dividend income	1,639	1,307	25 %
Other income	1,547	1,882	(18)%
Total investment income	$ 40,976	$ 36,536	12 %

Our total investment income increased by approximately $4.4 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. The 12% increase in total investment income primarily results from an increase in interest income of approximately $4.4 million from the three months ended March 31, 2015 to the three months ended March 31, 2016 which is attributable to larger invested balances, driven by the proceeds from the September 2015 primary offering of our common stock, our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments, and prepayment fees received associated with the early repayment of one portfolio company held as of December 31, 2015. The increase in dividend income during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015 was primarily attributable to distributions from our investment in SLP I and PIK dividend income from an equity position. Other income during the three months ended March 31, 2016, which represents fees that are generally non-recurring in nature, was primarily attributable to structuring, upfront, amendment and commitment fees received from six different portfolio companies and management fees from a non-controlled affiliated portfolio company.

Operating Expenses

(in thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Percentage Change	
Management fee	$ 6,836	$ 6,468		
Less: management fee waiver	(1,319)	(1,382)		
Total management fee	5,517	5,086	8 %	
Incentive fee	5,385	4,878	10 %	
Capital gains incentive fee(1)	—	481	NM	*
Interest and other financing expenses	6,602	5,477	21 %	
Professional fees	877	739	19 %	
Administrative expenses	839	635	32 %	
Other general and administrative expenses	432	429	1 %	
Total expenses	19,652	17,725	11 %	
Less: expenses waived and reimbursed	(284)	(400)	(29)%	
Net expenses before income taxes	19,368	17,325	12 %	
Income tax expense	41	149	(72)%	
Net expenses after income taxes	$ 19,409	$ 17,474	11 %	

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

* Not meaningful.

Our total net operating expenses increased by approximately $1.9 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Our management fee increased by approximately $0.4 million, net of a management fee waiver, and incentive fees increased by approximately $0.5 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. The increase in management fee and incentive fee from the three months ended March 31, 2015 to the three months ended March 31, 2016 was attributable to larger invested balances, driven by the proceeds from the September 2015 primary offering of our common stock and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. Our capital gains incentive fee accrual decreased by approximately $0.5 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, 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 March 31,

2016, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Interest and other financing expenses increased by approximately $1.1 million during the three months ended March 31, 2016, primarily due to higher drawn balances on the NMFC Credit Facility (as defined below) and SBA-guaranteed debentures. Our total professional fees, total administrative expenses and total other general and administrative expenses increased $0.3 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Our expenses waived and reimbursed decreased by approximately $0.1 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015.

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

	Three Months Ended		Percentage
(in thousands)	**March 31, 2016**	**March 31, 2015**	**Change**
Net realized gains (losses) on investments	$ 176	$ (133)	NM *
Net change in unrealized (depreciation) appreciation of investments	(14,386)	4,486	NM *
Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell	(30)	—	NM *
Benefit (provision) for taxes	724	(501)	NM *
Net realized and unrealized losses (gains)	$ (13,516)	$ 3,852	NM *

* Not meaningful.

Our net realized gains and unrealized losses resulted in a net loss of approximately $13.5 million for the three months ended March 31, 2016 compared to net realized losses and unrealized gains resulting in a net gain of approximately $3.9 million for the same period in 2015. 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 March 31, 2016 was primarily driven by the overall decrease in the market prices of our investments during the period. The benefit for income taxes was attributable to three equity investments that are held as of March 31, 2016 in three of our corporate subsidiaries.

The net gain for the three months ended March 31, 2015 was primarily driven by the overall increase in the market prices of our investments during the period and the sale of two portfolio companies, which resulted in realized gains of approximately $14.2 million. These gains were offset by $14.4 million of realized losses on investments resulting from the modification of terms on two portfolio companies that were accounted for as extinguishments.

Liquidity and Capital Resources

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

Since our IPO, and through March 31, 2016, we 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. We acquired from the Predecessor Operating Company units of the Predecessor Operating Company equal to the number of shares of our common stock sold in the additional offerings.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200.0% after such borrowing.

At March 31, 2016 and December 31, 2015, we had cash and cash equivalents of approximately $32.7 million and $30.1 million, respectively. Our cash provided by operating activities during the three months ended March 31, 2016 and March 31, 2015 was approximately $41.1 million and $24.3 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Borrowings

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

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 Wells Fargo Securities, LLC. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

Effective January 1, 2016, the Holdings Credit Facility bears interest at a rate of the LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Previously, the Holdings Credit Facility bore interest at a rate of 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).

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

	Three Months Ended	
(in millions)	**March 31, 2016**	**March 31, 2015**
Interest expense	$ 2.6	$ 2.9
Non-usage fee	$ 0.1	$ 0.1
Amortization of financing costs	$ 0.4	$ 0.4
Weighted average interest rate	2.6%	2.6%
Effective interest rate	3.2%	3.0%
Average debt outstanding	$ 394.7	$ 449.5

As of March 31, 2016 and December 31, 2015, the outstanding balance on the Holdings Credit Facility was $397.5 million and $419.3 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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 us 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 our 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 us 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).

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 us 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 our 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).

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

As of March 31, 2016, the maximum amount of revolving borrowings available under the NMFC Credit Facility is $110.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

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

	Three Months Ended	
(in millions)	**March 31, 2016**	**March 31, 2015**
Interest expense	$ 0.7	$ 0.2
Non-usage fee	$ — (1)	$ — (1)
Amortization of financing costs	$ 0.1	$ 0.1
Weighted average interest rate	2.9%	2.7%
Effective interest rate	3.4%	4.1%
Average debt outstanding	$ 92.8	$ 31.7

(1) For the three months ended March 31, 2016 and March 31, 2015, the total non-usage fee was less than $50 thousand.

As of March 31, 2016 and December 31, 2015, the outstanding balance on the NMFC Credit Facility was $96.5 million and $90.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, we closed a private offering of $115.0 million aggregate principal amount of 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 tradeable 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 our Convertible Notes as of March 31, 2016.

	March 31, 2016
Initial conversion premium	12.5%
Initial conversion rate(1)	62.7746
Initial conversion price	$ 15.93
Conversion premium at March 31, 2016	11.7%
Conversion rate at March 31, 2016(1)(2)	63.2794
Conversion price at March 31, 2016(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 March 31, 2016 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. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are 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 we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The issuance is considered part of the if-converted method for calculation of diluted earnings per share.

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

The Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the Convertible Note and the Trustee if we cease to be subject to the reporting requirements of the 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 months ended March 31, 2016 and March 31, 2015.

	Three Months Ended	
(in millions)	**March 31, 2016**	**March 31, 2015**
Interest expense	$ 1.4	$ 1.4
Amortization of financing costs	$ 0.2	$ 0.2
Effective interest rate	5.7%	5.7%

As of March 31, 2016 and December 31, 2015, 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 us, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC LP over our 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 March 31, 2016 and December 31, 2015, SBIC LP had regulatory capital of $72.4 million and $72.4 million, respectively, and SBA-guaranteed debentures outstanding of $117.7 million and $117.7 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 our fixed-rate SBA-guaranteed debentures as of March 31, 2016.

(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%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
Total SBA-guaranteed debentures		**$ 117.7**		

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 months ended March 31, 2016 and March 31, 2015.

	Three Months Ended		
(in millions)	March 31, 2016	March 31, 2015	
Interest expense	$ 0.9	$ 0.1	
Amortization of financing costs	$ 0.1	$ —	(1)
Weighted average interest rate	3.0%	1.1%	
Effective interest rate	3.4%	1.4%	
Average debt outstanding	$ 117.7	$ 37.5	

(1) For the three months ended March 31, 2015, 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 us. 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 March 31, 2016 and December 31, 2015, SBIC LP was in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2016 and December 31, 2015, we had outstanding commitments to third parties to fund investments totaling $22.0 million and $26.3 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of March 31, 2016 and December 31, 2015, we had commitment letters to purchase debt investments in an aggregate par amount of $25.0 million and $0, respectively. As of March 31, 2016 and December 31, 2015, we had not entered into any bridge financing commitments which could require funding in the future.

On March 9, 2016, NMFC and SkyKnight Income, LLC ("SkyKnight") entered into a limited liability company agreement to establish a joint venture, SLP II. NMFC and SkyKnight have committed to provide $79,400 and $20,600 of equity, respectively, with a closing date of April 12, 2016. The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. All investment decisions must be unanimously approved by the investment committee of SLP II, which has equal representation from us and SkyKnight. As of March 31, 2016, no capital contributions had been made. SLP II obtained financing and began to invest during the second quarter of 2016.

As of March 31, 2016 and December 31, 2015, we had unfunded commitments related to our equity investment in SLP II of $79,400 and $0, respectively.

Contractual Obligations

A summary of our significant contractual payment obligations as of March 31, 2016 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)	$ 397.5	$ —	$ —	$ 397.5	$ —
SBA-guaranteed debentures(2)	117.7	—	—	—	117.7
Convertible Notes(3)	115.0	—	—	115.0	—
NMFC Credit Facility(4)	96.5	—	—	96.5	—
Total Contractual Obligations	$ 726.7	$ —	$ —	$ 609.0	$ 117.7

(1) Under the terms of the $495.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($397.5 million as of March 31, 2016) must be repaid on or before December 18, 2019. As of March 31, 2016, there was approximately $97.5 million of possible capacity remaining under the Holdings Credit Facility.

(2) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.

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

(4) Under the terms of the $110.0 million NMFC Credit Facility, all outstanding borrowings under that facility ($96.5 million as of March 31, 2016) must be repaid on or before June 4, 2019. As of March 31, 2016, there was approximately $13.5 million of possible capacity remaining under the NMFC Credit Facility.

We have certain contracts under which we have material future commitments. We have $22.0 million of undrawn funding commitments as of March 31, 2016 related to our participation as a lender in revolving credit facilities, delayed draw commitments or other future funding commitments of our portfolio companies. As of March 31, 2016, we had no bridge financing commitments and commitment letters to purchase debt investments in an aggregate par amount of $25.0 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 us with investment advisory and management services. We have agreed to pay for these services (1) a management fee and (2) an incentive fee based on our performance.

We have also entered into 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 for the three months ended March 31, 2016 totaled $21.7 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the three months ended March 31, 2016 and the years ended December 31, 2015 and December 31, 2014:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount	
December 31, 2016					
First Quarter	February 22, 2016	March 17, 2016	March 31, 2016	$ 0.34	
				$ 0.34	
December 31, 2015					
Fourth Quarter	November 3, 2015	December 16, 2015	December 30, 2015	$ 0.34	
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	
				$ 1.36	
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	

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

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

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

We maintain an "opt out" dividend reinvestment plan on behalf of our common stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See *Item 1— Financial Statements—Note 2. Summary of Significant Accounting Policies* for additional details regarding our dividend reinvestment plan.

Related Parties

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

- We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.
- We have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further

restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2016 approximately $0.6 million of indirect administrative expenses were included in administrative expenses, of which $0.3 million of indirect administrative expenses were waived by the Administrator. As ofMarch 31, 2016, approximately $0.7 million of indirect administrative expenses were included in payable to affiliates as the expenses were payable to the Administrator.

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

In addition, we have adopted a formal code of ethics that governs the conduct of our 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 our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures.

Concurrently with the IPO, we sold an additional 2,172,000 shares of our common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in the Concurrent Private Placement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During thethree months ended March 31, 2016, certain of the loans held in our portfolio have floating interest rates. As of March 31, 2016, approximately 86.4% 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 13.6% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on March 31, 2016. Interest expense is calculated based on the terms of our outstanding revolving credit facilities and convertible notes. For our floating rate credit facilities, we use the outstanding balance as of March 31, 2016. Interest expense on our floating rate credit facilities are calculated using the interest rate as ofMarch 31, 2016, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of March 31, 2016. These hypothetical calculations are based on a model of the investments in our portfolio, held as of March 31, 2016, 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	1.01 %	(1)
Base Interest Rate	— %	
+100 Basis Points	1.18 %	
+200 Basis Points	7.71 %	
+300 Basis Points	14.56 %	

(1) Limited to the lesser of the March 31, 2016 LIBOR rates or a decrease of 25 basis points.

We were not exposed to any foreign currency exchange risks as ofMarch 31, 2016.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2016 (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 our internal control over financial reporting that occurred during the quarter endedMarch 31, 2016 that has materially affected, or is reasonably likely to materially affect, our 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

We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of March 31, 2016. 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, 2015, 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 three months ended March 31, 2016 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2015.

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

We did not engage in unregistered sales of securities during the quarter ended March 31, 2016.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the quarter ended March 31, 2016, as a part of our dividend reinvestment plan for our common stockholders, our dividend reinvestment plan administrator purchased 22,138 shares of our common stock for $0.3 million in the open market in order to satisfy the reinvestment portion of our dividends. The following table outlines purchases by our dividend reinvestment plan administrator of our common stock for this purpose during the quarter ended March 31, 2016.

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 2016	22,138	$ 12.85	—	$ —
February 2016	—	—	—	—
March 2016	—	—	—	—
Total	22,138	$ 12.85	—	$ —

Stock Repurchase Program

On February 4, 2016, our board of directors authorized a program for the purpose of repurchasing up to $50.0 million worth of our common stock. Under the repurchase program, we may, but are not obligated to, repurchase our outstanding common stock in the open market from time to time provided that we comply with our code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases will be conducted in accordance with the 1940 Act. Unless amended or extended by our board of directors, we expect the repurchase program to be in place until the earlier of December 31, 2016 or until $50.0 million of our outstanding shares of common stock have been repurchased.

Our board of directors authorized the repurchase program because it believes the sustained market volatility and uncertainty may cause our common stock to be undervalued from time to time. The timing and number of shares to be repurchased will depend on a number of factors, including market conditions. There are no assurances that we will engage in repurchases, but if market conditions warrant, we now have the ability to take advantage of situations where our management believes share repurchases would be advantageous to us and to our shareholders.

The following table outlines repurchases of our common stock under our stock repurchase program during the quarter ended March 31, 2016.

(in thousands, except shares and per share data) Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 2016	—	$ —	—	$ —
February 2016	124,950	11.47	124,950	48,567
March 2016	—	—	—	—
Total	124,950	$ 11.47	124,950	

(1) Amount includes commissions paid.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 4, 2016, we entered into a Commitment Increase Agreement (the "Commitment Agreement") related to the Company's existing senior secured revolving credit facility maturing on June 4, 2019 provided by Goldman Sachs Bank USA as the Administrative Agent and Issuing Bank and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders (the "NMFC Credit Facility"). The Commitment Agreement increases the total commitments under the NMFC Credit Facility from $110.0 million to $122.5 million from existing lenders in accordance with the accordion feature of the NMFC Credit Facility.

On May 4, 2016, we entered into a Note Purchase Agreement governing the issuance of $50.0 million in aggregate principal amount of five-year senior unsecured notes (the "Notes") to an institutional investor in a private placement. The issuance of the Notes is expected to occur on May 6, 2016. The Notes will rank pari-passu with our other unsecured indebtedness, including our convertible notes issued on June 3, 2014. The Notes have a fixed interest rate of 5.313% and are due on May 15, 2021. Interest on the Notes will be due semiannually. This interest rate is subject to increase in the event that: (i) subject to certain exceptions, the Notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below $150.0 million. In each such event, we also have the option to offer to prepay the Notes at par, in which case the holders of the Notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the Notes at par if New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"), or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser. The Note Purchase Agreement for the Notes also contains customary terms and conditions for senior unsecured notes issued in a private placement, including, without limitation, affirmative and negative covenants such as information reporting, maintenance of our status as a business development company under the Investment Company Act of 1940 and a regulated investment company under the Internal Revenue Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under our other indebtedness or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

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	Commitment Increase Agreement, dated March 23, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Issuing Bank(13)
10.9	Commitment Increase Agreement, dated May 4, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Issuing Bank
10.10	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.11	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)
10.12	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.13	Second Amended and Restated Administration Agreement(11)
10.14	Form of Trademark License Agreement(1)

Exhibit Number	Description
10.15	Amendment No. 1 to Trademark License Agreement(4)
10.16	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)
10.17	Dividend Reinvestment Plan(2)
10.18	Limited Liability Company Agreement of NMFC Senior Loan Program II LLC, dated March 9, 2016
10.19	Form of Note Purchase Agreement relating to 5.313% Senior Notes due 2021, dated as of May 4, 2016, by and between New Mountain Finance Corporation and the purchaser party thereto
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)

(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.

(13) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on March 29, 2016.

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 May 4, 2016.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ ROBERT A. HAMWEE
Robert A. Hamwee
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ SHIRAZ Y. KAJEE
Shiraz Y. Kajee
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 10.9

EXECUTION VERSION

COMMITMENT INCREASE AGREEMENT

May 4, 2016

Goldman Sachs Bank USA, as Administrative Agent
(the "Administrative Agent") for the Lenders party to the
Credit Agreement referred to below

6011 Connection Drive
Irving, Texas 75039

Ladies and Gentlemen:

We refer to the $110,000,000 Senior Secured Revolving Credit Agreement dated as of June 4, 2014 (as amended, modified or supplemented from time to time and giving effect to prior Commitment increases to date, the "Credit Agreement"; the terms defined therein being used herein as therein defined) among New Mountain Finance Corporation (the "Borrower"), the Lenders party thereto, Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent. You have advised us that the Borrower has requested in a letter dated as of April 29, 2016 (the "Increase Request") from the Borrower to the Administrative Agent that the aggregate amount of the Multicurrency Commitments be increased by a total amount equal to $10,000,000 and the aggregate amount of the Dollar Commitments be increased by a total amount equal to $2,500,000 (together, the "Commitment Increase"), for a total facility size of $122,500,000, on the terms and subject to the conditions set forth herein.

A. Commitment Increase. Pursuant to Section 2.08(e) of the Credit Agreement, each Increasing Lender set forth on Schedule I hereto under the heading "Increasing Lenders" hereby agrees to increase its existing Multicurrency Commitment or Dollar Commitment, as applicable, by the amount set forth opposite the name of such Increasing Lender in Schedule I hereto, such additional Multicurrency Commitment or Dollar Commitment, as applicable, to be effective as of May 4, 2016 (the "Commitment Increase Date"); provided that the Administrative Agent shall have received a duly executed officer's certificate from the Borrower, dated the Commitment Increase Date, in substantially the form of Exhibit I hereto and such Increasing Lender shall have received its upfront fee set forth on Schedule I.

B. Confirmation of Increasing Lenders. Each Increasing Lender agrees that from and after the Commitment Increase Date, its additional commitment set forth opposite such Increasing Lender's name in Schedule I hereto shall be included in its Commitment and be governed for all purposes by the Credit Agreement and the other Loan Documents.

[*Signature pages follow*]

Very truly yours,

INCREASING LENDERS

STIFEL BANK & TRUST

By: /s/ Joseph L. Sooter, Jr.
Name: Joseph L. Sooter, Jr.
Title: Senior Vice President

MORGAN STANLEY BANK, N.A.

By: /s/ Michael King
Name: Michael King
Title: Authorized Signatory

Accepted and agreed:

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ John R. Kline
Name: John R. Kline
Title: Executive Vice President and
Chief Operating Officer

Acknowledged:
GOLDMAN SACHS BANK USA,
as Administrative Agent and Issuing Bank

By: /s/ Ryan Durkin
Name: Ryan Durkin
Title: Authorized Signatory

SCHEDULE I

Increasing Lenders	**Commitment**	**Upfront Fee**
Stifel Bank & Trust	$2,500,000 (Dollar)[1]	$6,250
Morgan Stanley Bank, N.A.	$10,000,000 (Multicurrency)[2]	$25,000

1 As of the Commitment Increase Date, Stifel Bank & Trust's total Commitment under the Credit Agreement will be $17,500,000.

2 As of the Commitment Increase Date, Morgan Stanley Bank, N.A.'s total Commitment under the Credit Agreement will be $42,000,000.

EXHIBIT I

FORM OF OFFICER'S CERTIFICATE

May 4, 2016

Goldman Sachs Bank USA, as Administrative Agent
(the "Administrative Agent") for the Lenders party to the
Credit Agreement referred to below

6011 Connection Drive
Irving, Texas 75039

Ladies and Gentlemen:

On behalf of New Mountain Finance Corporation (the "Borrower"), I, John R. Kline, Executive Vice President and Chief Operating Officer of the Borrower, refer to the $110,000,000 Senior Secured Revolving Credit Agreement dated as of June 4, 2014 (as amended, modified or supplemented from time to time and giving effect to prior Commitment increases to date, the "Credit Agreement"; the terms defined therein being used herein as therein defined) among the Borrower, the Lenders party thereto, Goldman Sachs Bank USA, as Administrative Agent for said Lenders and as Syndication Agent. I also refer to the letter dated as of April 29, 2016 (the "Increase Request") from the Borrower to the Administrative Agent, requesting that the aggregate amount of the Multicurrency Commitments be increased by a total amount equal to $10,000,000 and the aggregate amount of the Dollar Commitments be increased by a total amount equal to $2,500,000, for a total facility size of $122,500,000, on the Commitment Increase Date (as defined in the Increase Request).

With respect to the Increase Request, I hereby certify in my capacity as an authorized officer of the Borrower that each of the conditions to the related Commitment Increase set forth in Sections 2.08(e)(i)(D) and (E) of the Credit Agreement have been satisfied as of the date hereof.

Very truly yours,

/s/ John R. Kline
Name: John R. Kline
Title: Executive Vice President and
Chief Operating Officer

Exhibit 10.18

EXECUTION VERSION

LIMITED LIABILITY COMPANY AGREEMENT

OF

NMFC SENIOR LOAN PROGRAM II LLC

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LIMITED LIABILITY COMPANY AGREEMENT
OF
NMFC SENIOR LOAN PROGRAM II LLC

This Limited Liability Company Agreement of NMFC Senior Loan Program II LLC (the "Company"), dated as of March 9, 2016, is entered into by and between SkyKnight Income, LLC, a Delaware limited liability company, and New Mountain Finance Corporation, a Delaware corporation, as the members hereunder (each, a "Member" and collectively, the "Members").

WHEREAS, the Members desire to form a limited liability company under the Act (as defined below) managed by a Board (as defined below) for the purposes and pursuant to the terms set forth herein.

NOW THEREFORE, in consideration of the mutual agreements set forth below, and intending to be legally bound, the Members hereby agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

"Act": the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101, et seq., as from time to time in effect.

"Administrative Agent": New Mountain Finance Administration, L.L.C., a Delaware limited liability company, or an Affiliate thereof retained by the Company with Board Approval to perform non-discretionary administrative, transactional and loan services for the Company. The Administrative Agent will not provide any investment advisory services for or on behalf of the Company or any Subsidiary or Alternative Investment Vehicle.

"Administrative Services Agreement": the Administrative Services Agreement between the Company and the Administrative Agent, as amended from time to time with Board Approval.

"Affiliate": with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control," when used with respect to any specified Person means, the possession, directly or indirectly, of the power to vote more than 25% of the voting securities of such Person or to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Limited Liability Company Agreement, as it may from time to time be amended.

"Alternative Investment Vehicle" shall mean any partnership, corporation, limited liability company or other entity created by the Company, for purposes of making, holding and disposing of one or more Investments.

"Approved Valuation Expert" shall have the meaning set forth in Section 9.4(a)(iii).

"Board" shall mean the Board of Managers of the Company.

"Board Approval" shall mean, as to any act to be taken or approval to be provided by the Company, the approval or subsequent ratification by the Board in the manner provided in Section 6.4.

"Board Member" shall mean each individual designated or appointed to serve as a member of the Board in accordance with this Agreement.

"Business Day" shall have the meaning set forth in Section 10.15.

"Capital Account" shall mean as to each Member, the capital account maintained on the books of the Company for such Member in accordance with Section 4.1.

"Capital Call Notice" shall have the meaning set forth in Section 3.1(a).

"Capital Commitment" shall mean as to each Member, the total amount set forth on the Member List, which is contributed and/or agreed to be contributed to the Company by such Member as a Capital Contribution pursuant to the terms of this Agreement.

"Capital Contribution" shall mean as to each Member, the amount equal to the sum of (i) the aggregate amount of cash actually contributed to the equity capital of the Company by such Member and (ii) the value, as specifically approved by Board Approval, of any other assets actually contributed to the equity capital of the Company by such Member, in each case as set forth on the Member List. The Capital Contribution of a Member that is an assignee of all or a portion of an equity interest in the Company shall include the Capital Contribution of the assignor (or a *pro rata* portion thereof in the case of an assignment of less than the entire interest of the assignor).

"Certificate of Formation" shall mean the certificate of formation of the Company filed under the Act, as from time to time amended.

"Code" shall mean the Internal Revenue Code of 1986, as from time to time amended.

"Collateral" shall have the meaning set forth in Section 2.4(b).

"Company" shall have the meaning set forth in the preamble of this Agreement.

"Company Counsel" shall have the meaning set forth in Section 10.11.

"Default Date" shall have the meaning set forth in Section 3.3(a).

"Default Rate" shall mean, with respect to any period, the rate equal to (i) the sum of (A) the average LIBOR Rate during such period (expressed as an annual rate) plus (B) five percent (5.0%) per annum, multiplied by (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365.

"Defaulting Member" shall have the meaning set forth in Section 3.3(a).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as from time to time amended.

"ERISA Plan" shall mean a Person that is an "employee benefit plan" within shall have the meaning of, and subject to the provisions of, ERISA.

"Expenses" shall mean all fees, costs and expenses, of whatever nature, directly or indirectly borne by the Company or for the Company by a Member, including, without limitation: Organization Costs; costs borne under the Administrative Services Agreement; any sub-administrative services agreement or borne with respect to any Subsidiary or Alternative Investment Vehicle; any expenses or payments with respect to any Facility, such as commitment fees, principal and accrued interest; all out-of-pocket and travel costs and expenses reasonably incurred by a Member in connection with Investments by the Company; but excluding, for the avoidance of doubt, any indemnities borne by the Company.

"Facility": shall mean any credit facility secured by any assets owned directly or indirectly by the Company and/or any Subsidiary and/or Alternative Investment Vehicle in connection with the Company's incurrence of indebtedness for borrowed money.

"GAAP" shall mean United States generally accepted accounting principles or any successor accounting principles thereto, in effect from time to time.

"GAAP Profit or GAAP Loss" shall mean, as to any transaction or fiscal period, the net income or loss of the Company under GAAP.

"Harm" shall have the meaning set forth in Section 6.14(a).

"Indemnified Person" shall have the meaning set forth in Section 6.14(a).

"Independent Board Member" shall have the meaning set forth in Section 6.2(a).

"Initial Capital Contribution" shall mean the Capital Contribution made by each Member in connection with the formation of the Company (such Capital Contributions and the related value deemed approved by the Board) as detailed in Schedule C.

"Initial Closing" shall mean the date of the initial closing of the Company, which shall take place on or around April 15, 2016.

"Investment" shall mean, to the extent permitted by the Loan and Security Agreement, an investment of any type held, directly or indirectly, by the Company from time to time. By way of example, and without limitation, Investments may include loans, notes, bonds and other debt instruments, total return swaps and other derivative instruments, participation interests, warrants, equity securities (including common stock, preferred stock, limited liability company membership interests, partnership interests and structured equity products), portfolios of any of the foregoing and derivative instruments related to any of the foregoing.

"Investment Advisers Act" shall mean the Investment Advisers Act of 1940, as from time to time amended.

"Investment Company Act" shall mean the Investment Company Act of 1940, as from time to time amended.

"Investment Period" shall mean the period commencing on the date of the Initial Closing and ending on the third anniversary of the Initial Closing, subject to extension for up to one (1) year with the approval of the Board.

"Investment Proceeds" shall have the meaning set forth in Section 5.1(a).

"Investor Laws": shall mean the United States Bank Secrecy Act, the United States Money Laundering Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, the USA Patriot Act or any other law or regulation to which the Company, a Member, or such Member's investment in the Company may be subject from time to time.

"LIBOR Rate" shall mean the one-month London InterBank Offered Rate, which for purposes hereof shall be deemed to equal, for each day of a calendar quarter, such rate as of the first day of such quarter.

"Loan and Security Agreement" shall have the meaning set forth in Section 2.4(b).

"LSA Administrative Agent" shall have the meaning set forth in Section 2.4(b).

"Material Action" shall have the meaning set forth in Section 6.4(b).

"Member" shall mean each Person identified as a Member in the first sentence hereof, and any Person that is or becomes a Member of the Company in accordance with the terms of Section 7.1.

"Member List" shall have the meaning set forth in Section 2.7.

"NMFC" shall mean New Mountain Finance Corporation, a Delaware corporation, or any Person substituted for NMFC as a Member pursuant to the terms of this Agreement.

"Non-Independent Board Member" shall mean a Board Member that is not an Independent Board Member.

"Organization Costs" shall mean all out-of-pocket costs and expenses reasonably incurred directly by the Company or indirectly for the Company by a Member or its Affiliates in connection with the formation, capitalization and financing of the Company, the initial offering of Company interests to SkyKnight and NMFC, and the preparation by the Company to commence its business operations, including, without limitation, reasonable and documented (i) fees and disbursements of legal counsel to the Company or its Affiliates and to SkyKnight and NMFC, (ii) accountant fees and other fees for professional services, (iii) travel costs and other out-of-pocket expenses, and (iv) costs incurred in connection with the establishment of a Facility.

"Outside Indemnitors" shall have the meaning set forth in Section 6.14(e).

"Person" shall include an individual, corporation, partnership, association, joint venture, company, limited liability company, trust, governmental authority or other entity.

"Portfolio Company" shall mean, with respect to any Investment, any Person that is the issuer of any equity securities, equity-related securities or obligations, debt instruments or debt-related securities or obligations (including senior debt instruments, including investments in senior loans, senior debt securities and any notes, bonds or other evidences of indebtedness, preferred equity, warrants, options, subordinated debt, mezzanine securities or similar securities or instruments) that are the subject of such Investment. Portfolio Companies do not include Subsidiaries.

"Portfolio Investment" shall have the meaning set forth in Section 2.4(b).

"Proceeding" shall have the meaning set forth in Section 6.14(a).

"Profit or Loss" shall mean, as to any transaction or fiscal period, the GAAP Profit (" Profit") or GAAP Loss (" Loss") with respect to such transaction or period, with such adjustments thereto as may be required by this Agreement; provided that in the event that the Value of any Company asset is adjusted under Section 9.4, the amount of such adjustment shall in all events be taken into account in the same manner as gain or loss from the disposition of such asset for purposes of computing Profit or Loss, and the gain or loss from any disposition of such asset shall be calculated by reference to such adjusted Value; and provided, further, that GAAP Profit or GAAP Loss may be adjusted with Board Approval, including any adjustment to amortize Organization Costs over four (4) years or such other period deemed appropriate by Board Approval.

"Proportionate Share" shall mean, as to any Member, the percentage that its Capital Contribution represents of all Capital Contributions.

"Reserved Amount" shall have the meaning set forth in Section 5.3(a).

"Revolving Credit Loan" shall mean any revolving credit facility or similar credit facility provided by the Company or any Subsidiary, directly or indirectly, to a borrower or acquired from another Person; provided that in the case of any such credit facility provided or acquired indirectly through another entity which is not wholly owned by the Company, the Revolving Credit Loan shall be the Company's proportionate share thereof.

"SEC" shall mean the U.S. Securities and Exchange Commission or its staff.

"Securities Account Control Agreement" shall have the meaning set forth in Section 2.4(b).

"Senior Secured Loans" shall mean senior secured loans that are secured by a first lien or a second lien on some or all of the obligor's assets, including, without limitation, traditional senior secured loans and any related Revolving Credit Loan or delayed draw loan as well as loans provided pursuant to unitranche credit facilities which are secured by a first lien on some or all of the obligor's assets.

"SkyKnight" shall mean SkyKnight Income, LLC, a Delaware limited liability company.

"Special Member" shall have the meaning set forth in Section 8.2(b).

"Special Purpose Provisions" shall have the meaning set forth in Section 10.10(c).

"Subsidiary" shall mean any special purpose financing vehicle directly or indirectly owned, in whole or in part, and solely controlled by the Company; provided that a Subsidiary shall not include any Alternative Investment Vehicle or Portfolio Company.

"Tax Matters Member" shall have the meaning set forth in Section 6.15.

"Temporary Advance" shall have the meaning set forth in Section 3.2.

"Temporary Advance Rate" shall mean, with respect to any period, the rate equal to (i) the sum of (A) the average LIBOR Rate during such period (expressed as an annual rate) plus (B) five percent (5.0%) per annum, multiplied by (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365.

"Treasury Regulations" shall mean all final and temporary federal income tax regulations, as amended from time to time, issued under the Code by the United States Treasury Department.

"Transaction Documents" shall have the meaning set forth in the Loan and Security Agreement.

"Valid Company Purposes" shall include, subject to the terms and provisions of the Loan and Security Agreement, directly or indirectly: (i) making and entering into Investments or acquiring assets, and entering into, and complying with obligations under, any Facility, (ii) making Investments which the Company or any of its Subsidiaries was committed to make in whole or in part (as evidenced by a commitment letter, term sheet or letter of intent, or definitive legal documents under which less than all advances have been made) and satisfying funding or other obligations with respect to all Investments including any ongoing funding obligations relating to all Revolving Credit Loans that are revolving loans and delayed draw term loans, (iii) funding Reserved Amounts, (iv) making protective investments (including making protective advances and/or exchanges), which may require capital commitments and ongoing obligations of the Company, any Alternative Investment Vehicle or any Subsidiary, (v) satisfying collateral requirements or margin calls for any Facility or any derivative instrument or making capital contributions to avoid or cure any borrowing base deficiency, default, event of default, potential termination event or termination event relating to any Facility or any derivative instrument or other indebtedness incurred by the Company or a Subsidiary and repaying such indebtedness, (vi) repaying Temporary Advances and paying Expenses, indemnification amounts payable under this Agreement, and such other costs and expenses as set forth herein, (vii) taking any action in furtherance of the foregoing, including, without limitation, making any state or federal regulatory or public filings of certificates, documents or other instruments, or (viii) any matter in connection with the foregoing, or any decision or action relating to such matter (actions described in clauses (i) through (viii) are subject, in each instance, to obtaining Board Approval pursuant to Section 6.4).

"Value" shall mean, as of the date of computation with respect to some or all of the assets of the Company or any assets acquired by or contributed to the Company, the value of such assets determined in accordance with Section 9.4; provided that the initial Value of any asset (other than cash) contributed as a Capital Contribution shall be determined by Board Approval as provided in Section 3.1(a).

ARTICLE 2
GENERAL PROVISIONS

Section 2.1 Formation of the Limited Liability Company. The Company was formed under and pursuant to the Act upon the filing of the Certificate of Formation in the office of the Secretary of State of the State of Delaware, and the Members hereby agree to continue the Company under and pursuant to the Act. The Members agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein. Each Person being admitted as a Member as of the date hereof shall be admitted as a Member at the time such Person has executed this Agreement or a counterpart of this Agreement.

Section 2.2 Company Name. The name of the Company shall be "**NMFC Senior Loan Program II LLC**" or such other name as approved by Board Approval.

Section 2.3 Place of Business; Agent for Service of Process.

(a) The registered office of the Company in the State of Delaware shall be c/o CT Corporation, 1209 North Orange Street, Wilmington, DE 19801, or such other place as the Board may designate. The principal business office of the Company shall be at 787 Seventh Avenue, 49th Floor, New York, New York, 10019, or such other place as may be approved by Board Approval (with prompt written notice of such principal business office being provided to each of the Members).

The Company may also maintain additional offices at such place or places as may be approved by Board Approval.

(b) The agent for service of process on the Company pursuant to the Act shall be CT Corporation, 1209 North Orange Street, Wilmington, DE 19801, or such other Person as the Board may designate with Board Approval.

Section 2.4 Principal Purpose and Powers of the Company.

(a) The principal purpose of the Company is, directly or indirectly (through Subsidiaries, Alternative Investment Vehicles or other Persons), to make Investments, including Investments in Senior Secured Loans that are made to U.S. middle-market companies or in broadly syndicated Senior Secured Loans.

(b) In furtherance of such purpose, the Company shall have the following powers, subject in each instance to obtaining Board Approval pursuant to Section 6.4:

(i) to acquire corporate loans that the Board believes satisfy the eligibility criteria for a permitted loan under the terms of the Loan and Security Agreement so long as the Loan and Security Agreement remains in full force and effect (otherwise, as determined by the Board) (collectively, the "Portfolio Investments") by way of purchase or capital contribution and to fund all or a portion of the purchase price thereof and expenses relating thereto or incurred in connection with the Loan and Security Agreement and the other Transaction Documents, by borrowing from the lenders under the Loan and Security Agreement;

(ii) to purchase Portfolio Investments from Persons who are not Affiliates of the Company, and so long as the Loan and Security Agreement remains in full force and effect, solely to the extent permitted by the Loan and Security Agreement;

(iii) upon purchasing a Portfolio Investment that is a commercial loan, to become a party to any related agreements as a lender in respect of such Portfolio Investment, and so long as the Loan and Security Agreement remains in full force and effect, solely to the extent permitted by the Loan and Security Agreement;

(iv) to dispose of Portfolio Investments from time to time, and so long as the Loan and Security Agreement remains in full force and effect, solely to the extent permitted by the Loan and Security Agreement;

(v) to hold property ancillary to the Portfolio Investments such as related equity securities and proceeds thereof, and so long as the Loan and Security Agreement remains in full force and effect, solely to the extent permitted by the Loan and Security Agreement;

(vi) to enter into and to exercise its rights and perform its obligations under the Loan and Security Agreement (as amended, modified or supplemented, the "Loan and Security Agreement"), among the Company, as the borrower, each of the lenders from time to time party thereto, NMFC, as the collateral manager, Wells Fargo Bank, National Association, as the administrative agent (the "LSA Administrative Agent"), and Wells Fargo Bank, National Association, as the collateral custodian;

(vii) to enter into and to exercise its rights and perform its obligations under the Account Control Agreement, among the Company, as pledgor, the LSA Administrative Agent, and Wells Fargo Bank National Association, as the collateral custodian and securities intermediary (as amended, modified or supplemented from time to time);

(viii) to grant a security interest to the LSA Administrative Agent, for the benefit of the Secured Parties (as defined in the Loan and Security Agreement), in all of the Company's right, title and interest in and to all of its assets, including the Portfolio Investments and the proceeds thereof (as more specifically described in the Loan and Security Agreement, the "Collateral") to secure all of its obligations under the Transaction Documents;

(ix) to open and maintain all bank accounts and securities accounts permitted by the Loan and Security Agreement and to pay all fees and expenses in connection therewith;

(x) to preserve and maintain its limited liability company existence; and

(xi) to engage in any activity and to exercise powers permitted to limited liability companies under the laws of the State of Delaware that are incidental to the foregoing and necessary or convenient to accomplish the foregoing.

Section 2.5 Fiscal Year. The fiscal year of the Company shall end on December 31 of each year.

Section 2.6 Liability of Members. Except as expressly provided in this Agreement, a Member shall have such liability for the repayment, satisfaction and discharge of the debts, liabilities and obligations of the Company only as is provided by the Act. A Member that receives a distribution made in violation of the Act shall be liable to the Company for the amount of such distribution to the extent, and only to the extent, required by the Act. The Members shall not otherwise be liable for the repayment, satisfaction or discharge of the Company's debts, liabilities and obligations, except that each Member shall be required to make Capital Contributions in an amount up to their respective Capital Commitments in accordance with the terms of this Agreement and shall be required to repay any distributions which are not made in accordance with this Agreement.

Section 2.7 Member List. The Administrative Agent shall cause to be maintained in the principal office of the Company a list in the form of Schedule A attached hereto (the "Member List") setting forth, with respect to each Member, such Member's name, address, Capital Commitment, Capital Contributions, Proportionate Share and such other information as the Administrative Agent or the Board may deem necessary or desirable or as required by the Act. The Administrative Agent shall from time to time update the Member List as required to reflect accurately the information therein. Any reference in this Agreement to the Member List shall be deemed to be a reference to the Member List as in effect from time to time.

Section 2.8 Member Representations and Warranties. Each Member represents and warrants that such Member (and each holder of voting securities of such Member, to the extent that such Member may be deemed to have been formed for the purpose of investing in the Company) are "qualified purchasers", as that term is defined under the Investment Company Act. Each Member further represents and warrants that such Member is not a "Benefit Plan Investor", as that term is defined under Section 3(42) of ERISA and any regulations promulgated thereunder.

Section 2.9 Separate Legal Entity. Notwithstanding anything to the contrary in this Agreement or in any other document governing the Company, the Company shall be operated in such a manner that it would not be substantively consolidated in the estate of any Person in the event of a bankruptcy or insolvency of such Person, and in such regard the Company shall:

(a) at all times have at least one Independent Board Member whose consent shall be required for the Company to take any Material Action;

(b) not become involved in the day-to-day management of any other Person;

(c) conduct all business correspondence of the Company and other communication in the Company's own name and through its own authorized officers and/or agents;

(d) make all investments to be made by it solely in its own name;

(e) not commingle any of its assets with the assets of any Member or with those of any other Person and maintain its own deposit account or accounts, separate from those of any other Person, with commercial banking institutions, except to the extent, if any, permitted by the Loan and Security Agreement;

(f) maintain (i) its Company records and books of account and its financial and accounting books and records in compliance with generally accepted accounting principles, separate from those of any Member or from those of any other Person and (ii) maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person and not have its assets listed on any financial statement of any other Person; provided, however, that the Company's assets and liabilities may be included in a consolidated financial statement of its Affiliates so long as (x) the separateness of the Company from such Affiliate and (y) the fact that the Company's assets and credit are not available to satisfy the debts and other obligations of such Affiliate is disclosed by such Affiliate within all such consolidated financial statements;

(g) pay solely from its own assets all obligations, liabilities and indebtedness of any kind incurred by the Company, and not pay, assume or guarantee from its assets any obligations or indebtedness of any Member or any other Person or hold itself or its credit out as being available to satisfy the obligations of any Member or any other Person;

(h) not engage in transactions except as expressly set forth in this Agreement, the Loan and Security Agreement or any other Transaction Document and matters necessarily incident thereto and shall observe all necessary, appropriate and customary limited liability company formalities;

(i) not enter into any transaction with any Affiliate, other than those transactions expressly contemplated by this Agreement or the Loan and Security Agreement;

(j) transact all business with Affiliates on an arm's length basis and pursuant to enforceable agreements (it being understood that the Transaction Documents satisfy such requirement);

(k) prepare separate tax returns;

(l) maintain sufficient duly compensated agents (including the Administrative Agent acting pursuant to the Administrative Services Agreement) to run its contemplated business and operations and compensate its agents from its own available funds for services provided to it;

(m) not acquire obligations or securities of any Member or, except as otherwise provided in the Loan and Security Agreement or any other Transaction Document, pledge its assets for the benefit of any other Person;

(n) except as required by the Loan and Security Agreement or any other Transaction Document, not assume or guaranty any liabilities of any Member or any other Person;

(o) not incur, create or assume any indebtedness for borrowed money other than as expressly permitted herein or under the Loan and Security Agreement or any other Transaction Document;

(p) not make or permit to remain outstanding any loan or advance to, or own or acquire any stock or securities of, any Person, except that the Company may invest in those investments permitted herein and under the Loan and Security Agreement;

(q) to the fullest extent permitted by law, not engage in any dissolution, liquidation, consolidation, merger, asset sale or transfer of ownership interests other than such activities as are expressly permitted herein or pursuant to the Loan and Security Agreement or any other Transaction Document;

(r) not declare or permit any distribution to any Member or any of their respective Affiliates other than out of legally available funds and otherwise in accordance with the Loan and Security Agreement or any other Transaction Document;

(s) hold itself out and identify itself as a separate and distinct entity under its own name and not as a division or part of any other Person. The Company shall engage in transactions solely in its own name and through its own authorized officers and agents. Except to the extent provided herein, in the Administrative Services Agreement or in the Loan and Security Agreement or any other Transaction Document, no Affiliate of the Company shall be appointed as an agent of the Company;

(t) promptly correct any known misunderstanding regarding its separate identity; and

(u) maintain adequate capital in light of its contemplated business operations (provided, however, the foregoing shall not require the Members to make additional capital contributions to the Company) and not engage in any transaction with any of its Affiliates involving any intent to hinder, delay or defraud any Person.

Failure of the Company to comply with any of the foregoing covenants or any other covenants contained in this Agreement shall not affect the status of the Company as a separate legal entity or the limited liability of the Independent Board Member.

ARTICLE 3
COMPANY CAPITAL AND INTERETS

Section 3.1 Capital Commitments; Capital Contributions.

(a) Each Member's Capital Commitment shall be set forth on Schedule D and on the Member List. Each Member's initial Capital Contributions shall be set forth on Schedule C. In exchange for each Member's Capital Commitment, each Member has received an interest in the Company, including such Member's interest in the capital, income, gains, losses, deductions and expenses of the Company, the right to designate, appoint, remove and replace Board Members and their respective successors and the right to vote, if any, on certain Company matters, in each instance in accordance with and subject to the terms and conditions of this Agreement. There will only be one class of interests in respect of and issued by the Company. Each Member's Capital Contribution shall be subject to Board Approval and shall be made from time to time upon no less than five (5) Business Days prior notice from the Administrative Agent (or any other Person with the power and authority to call the Capital Commitments) specifying (i) the amount then to be paid, (ii) the intended use of such funds (including for the making or purchasing interests in Investments on behalf of the Company, any Subsidiary or Alternative Investment Vehicle, payment of Expenses, and payment of indemnification and/or other obligations), and (iii) the due date for the related Capital Contribution (each, a "Capital Call Notice"); provided that, except in the case of a Member's repayment of the amount of any Temporary Advance pursuant to Section 3.2, the Board shall not authorize any Capital Contribution from a Member unless a related capital call is made on all other Members, *pro rata*, based upon their respective Capital Commitments; provided further that to the extent that the intended use of any such capital call is to avoid an adverse consequence under the Loan and Security Agreement, the Capital Contributions with respect to such capital call shall not exceed 10% of the Advances Outstanding (as such term is defined in the Loan and Security Agreement) as of the date of such capital call. Each Capital Contribution shall be payable in cash in U.S. dollars or, with Board Approval, in in-kind contributions of Investments or other assets at a value and pursuant to transfer documentation approved by the Board. For the avoidance of doubt, for purposes of calculating the unpaid balances of the Capital Commitments, in-kind contributions will carry the value approved by the Board at the time the contribution is made. Except in the case of a Member's repayment of the amount of any Temporary Advance pursuant to Section 3.2, Capital Contributions shall be made by all Members *pro rata* based on their respective Capital Commitments.

(b) Capital Contributions made in cash which are not used for their intended purpose or for any other purpose permitted by the terms of this Agreement shall be returned to the Members within ninety (90) days in the same proportion in which made, in which case such amounts shall be added back to the unfunded Capital Commitments of the Members and may be recalled by the Company as set forth in this Article 3; provided, however, that no such amount shall be paid to a Member that is, or has been, a Defaulting Member at any time during such ninety (90) day period. Capital Contributions which have been returned to Members also may be recalled to the extent provided by Section 5.3(a).

(c) The Members shall under no circumstance be obligated to make Capital Contributions to the Company in excess of their respective Capital Commitments.

(d) During the Investment Period, the Company may request Capital Contributions to fund the purchase of Investments and to pay Expenses. After the end of the Investment Period, the Members shall be released from any further obligations to make Capital Contributions with respect

to their Capital Commitments, except to (i) fund a pending Capital Call Notice; (ii) fund an Investment that the Company has committed to prior to the termination of the Investment Period; (iii) fund an Investment under active consideration pursuant to a memorandum of understanding or letter of intent, whether or not binding, by the Company prior to the end of the Investment Period; and (iv) take any actions in clauses (ii) , (iii), (v) and (vi) of Valid Company Purposes.

Section 3.2 Temporary Advances.

(a) Subject to Board Approval, one or more Members or their subsidiaries, in its discretion, may make loans (each, a " Temporary Advance") to temporarily fund obligations for Valid Company Purposes until Capital Contributions are made by the Members as set forth in Section 3.1. Such Temporary Advances plus interest at the Temporary Advance Rate shall be returned from any Capital Contributions made by the Member(s) not making Temporary Advances under Section 3.1 or, as and when available, from Investment Proceeds, with any unreturned Temporary Advances plus interest at the Temporary Advance Rate paid as set forth in Section 5.1; provided, that, a Member's repayment of interest in respect of a Temporary Advance shall not reduce the amount of such Member(s) remaining Capital Commitment. For example, if the Company has called Capital Contributions of $200 from the Members (*i.e.*, $100 per Member), and one Member contributes $200 because the other Member is unwilling or unable to contribute its $100 before the date required by Section 3.1, then the $100 advanced on behalf of the other Member shall constitute a Temporary Advance.

(b) If the Board fails to timely approve a call for Capital Contributions in cash in accordance with Section 3.1 that is (i) requested by any Member and (ii) intended to avoid or cure any borrowing base deficiency, default, event of default, potential termination event or termination event relating to any Facility or any derivative instrument or other indebtedness incurred by the Company or a Subsidiary, each of the other Members may, in its sole discretion, fund in cash only the amount necessary to avoid or cure such borrowing base deficiency, default, event of default, potential termination event or termination event as required under the terms of any such Facility, derivative instrument or other indebtedness of the Company or any Subsidiary without Board Approval, and the amount of any such funding shall be shall be deemed a Temporary Advance and returned to the advancing Member (together with interest accruing on such amount at the Temporary Advance Rate) from any Capital Contributions under Section 3.1 or, as and when available, from Investment Proceeds, with any unreturned Temporary Advances plus interest at the Temporary Advance Rate paid as set forth in Section 5.1; provided that all interest due and payable in respect of any Temporary Advance shall be the sole responsibility of the Member(s) not making Temporary Advances, shall be paid by such Member(s) simultaneously with their related Capital Contribution(s) and shall not reduce the amount of such Member(s) remaining Capital Commitment.

Section 3.3 Defaulting Members.

(a) Upon the failure of any Member (a "Defaulting Member") to pay in full any portion of such Member's Capital Commitment within the time period specified in the related Capital Call Notice (the Business Day next succeeding the tenth (10^{th}) Business Day immediately following the expiration of such time period being the "Default Date") in accordance with Section 3.1(a), each non-Defaulting Member, in its sole discretion, shall have the right, without notice to the Defaulting Member, to pursue one or more of the following remedies on behalf of the Company:

(i) collect such unpaid portion (and all attorneys' fees and other costs incident thereto) by exercising and/or pursuing any legal remedy the Company may have;

(ii) contribute such unpaid portion to the Company, which amount shall be deemed a Temporary Advance and returned to the non-defaulting Member pursuant to Section 3.2 hereof;

(iii) charge interest on the unpaid balance of any overdue Capital Commitment at a rate equal to the Default Rate, from the date such balance was due and payable through the date full payment for such Capital Commitment is actually made; and/or

(iv) exercise all rights of a secured creditor at law or in equity, including the right to sell all of the interest in the Company held by the Defaulting Member to the Company or another Person (including, without limitation, an existing Member) at a price equal to the Capital Account of the Defaulting Member adjusted to reflect the Value of the Company as determined as of the date of the last valuation pursuant to Section 9.4 (and be required to assume the Defaulting Member's remaining Capital Commitment), with the proceeds from such sale to be applied in the following order: first, to the payment of the expenses of the sale; second, to the payment of the expenses of the Company resulting from the default, including court costs and penalties, if any, and reasonable attorneys' fees and costs; third, to the payment of all amounts due from the Defaulting Member to the Company, including the amount of the Defaulting Member's Capital Contribution required pursuant to the related Capital Call Notice and interest due thereon pursuant to Section 3.3(a)(iii); fourth, to the Defaulting Member, an amount up to fifty percent (50%) of the amount the Defaulting Member previously contributed to the Company less any distributions previously made to the Defaulting Member; and thereafter, any remainder to the Company;

Except as set forth below, the non-Defaulting Member's election to pursue any one of such remedies shall not be deemed to preclude the Company or such non-Defaulting Member from pursuing any other such remedy, or any other available remedy, simultaneously or subsequently. For the avoidance of doubt, if applicable, a Member shall not be deemed to be a Defaulting Member until the resolution of any dispute as to whether the Member failed to pay in full any portion of such Member's Capital Commitment within the time period specified in the related Capital Call Notice in accordance with Section 3.1(a).

(b) Notwithstanding any provision of this Agreement to the contrary,

(i) a Defaulting Member shall remain fully liable to the creditors of the Company to the extent provided by law as if such default had not occurred;

(ii) a Defaulting Member shall not be entitled to distributions made after the Default Date until the default is cured;

(iii) a default may be cured by a Defaulting Member within ten days by contribution to the Company of an amount equal to the sum of the unpaid balance of any overdue Capital Commitment *plus* interest accrued therein at the Default Rate; and

(iv) the Company shall not make new Investments after the Default Date until the default is cured, except as permitted pursuant to clauses (ii) through (viii) of Valid Company Purposes.

Section 3.4 Interest or Withdrawals. Except for the payment of interest in connection with a Temporary Advance as provided in Section 3.2, no Member shall be entitled to receive any interest on any Capital Contribution to the Company. Except as otherwise specifically provided herein, no Member shall be entitled to withdraw any part of its Capital Contributions or Capital Account balance.

ARTICLE 4
ALLOCATIONS

Section 4.1 Capital Accounts.

(a) An individual capital account (a "Capital Account") shall be maintained for each Member consisting of such Member's Capital Contributions, increased or decreased by Profit or Loss allocated to such Member, decreased by the cash or Value of property distributed to such Member (giving net effect to any liabilities the property is subject to, or which the Member assumes), and otherwise maintained consistent with this Agreement. In the event that the Administrative Agent determines that it is prudent to modify the manner in which Capital Accounts, including all debits and credits thereto, are computed in order to be maintained consistent with this Agreement, the Administrative Agent shall, subject to Board Approval, make such modifications and promptly inform the Members of each such modification. Capital Accounts shall be maintained in a manner consistent with applicable Treasury Regulations.

(b) Profit or Loss shall be allocated among Members as of the end of each quarter; provided that Profit or Loss shall also be allocated at the end of (i) each period terminating on the date of any withdrawal by any Member, (ii) each period terminating immediately before the date of any admission, or any increase in Capital Commitment, of any Member, (iii) each period terminating immediately before the date of any change in the relative Capital Account balances of the Members, (iv) the liquidation of the Company, or (v) any period which is determined by Board Approval to be appropriate.

Section 4.2 General Allocations. Profit or Loss shall be allocated among the Members as provided by this Section 4.2.

(a) Loss (after taking into account any interest expense incurred on Temporary Advances and repayment of the amount advanced with respect thereto) shall be allocated among the Members *pro rata* in accordance with their Capital Account balances. Profit shall be allocated among the Members (a) first, *pro rata* until the cumulative amount of Profit allocated to a Member equals the cumulative amount of Loss previously allocated to such Member, and thereafter (b) *pro rata* in accordance with the Members' Capital Account balances.

(b) The provisions of this Agreement are intended to comply with Section 704(b) of the Code and the Treasury Regulations promulgated thereunder and shall be interpreted and applied in a manner consistent with such Section and such Treasury Regulations.

Section 4.3 Changes of Interests. For purposes of allocating Profit or Loss for any fiscal year or other fiscal period between any permitted transferor and transferee of a Company interest, or between any Members whose relative Company interests have changed during such period, or to any withdrawing Member that is no longer a Member in the Company, the Company shall allocate according to any method allowed by the Code and approved by the Tax Matters Member. Distributions with respect to an interest in the Company shall be payable to the owner of such interest on the date of distribution subject to the provisions of this Agreement. For purposes of determining the Profit or Loss allocable to or the distributions payable to a permitted transferee of an interest in the Company or to a Member whose interest has otherwise increased or decreased, Profit or Loss allocations and distributions made to predecessor owners with respect to such transferred interest or increase of interest shall be deemed allocated and made to the permitted transferee or other holder.

Section 4.4 Income Taxes and Tax Capital Accounts.

(a) The Company shall be treated as a partnership for U.S. federal income tax purposes.

(b) Each item of income, gain, loss, deduction or credit shall be allocated in the same manner as such item is allocated pursuant to Section 4.2.

(c) Income, gains, losses and deductions with respect to any property (other than cash) contributed or deemed contributed to the capital of the Company shall, solely for income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its value at the time of the contribution or deemed contribution in accordance with Section 704(c) of the Code and the Treasury Regulations. Such allocations shall be made in such manner and utilizing such permissible tax elections as determined by the Board.

If there is a revaluation of the property of the Company, subsequent allocations of income, gains, losses or deductions with respect to such property shall be allocated among the Members so as to take account of any variation between the adjusted tax basis of such property to the Company for federal income tax purposes and its value in accordance with Section 704(c) of the Code and the Treasury Regulations. Such allocations shall be made in such manner and utilizing such permissible tax elections as determined by the Board.

(d) Allocations pursuant to this Section 4.4 are solely for federal, state and local tax purposes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or allocable share of income, gain, loss, deduction and credit (or items thereof).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 General.

(a) Subject to Section 5.1(b), amounts received by the Company pursuant to Section 2.7(a)(10), Section 2.7(b)(12) or Section 2.8(8) of the Loan and Security Agreement (collectively "Investment Proceeds") shall be used by the Company in the following order of priority:

(i) First, to pay any and all taxes of whatever nature owed directly or indirectly by the Company;

(ii) Second, to pay Expenses;

(iii) Third, to pay any interest accrued on outstanding Temporary Advances;

(iv) Fourth, to pay any outstanding Temporary Advances;

(v) Fifth, to distribute any amounts to the Members in accordance with Section 5.1(c);

(vi) Sixth, upon the dissolution of the Company pursuant to Section 8.2, the payment of all amounts due and deposit of all reasonable reserves required pursuant to Section 8.3; and

(vii) Seventh, with Board Approval, to the Members as distributions in respect of their interests in the Company in proportion to their respective Capital Account balances.

(b) The amount of any distributions of Investment Proceeds may be reduced and/or reinvested as provided by Section 5.2 and Section 5.3, including, without limitation, for the purpose of reinvesting proceeds received from Investments as set forth in Section 5.3.

(c) To the extent of available cash and cash equivalents following the payment of clauses (i) through (iv) of Section 5.1(a), the Company shall make distributions quarterly in an amount equal to the investment company taxable income and net capital gains (each as computed under Subchapter M of the Code) earned in the preceding quarter, shared among the Members in proportion to their respective Capital Account balances. Available cash and cash equivalents shall exclude Reserved Amounts and any amounts, determined with Board Approval, that are likely to be used for Valid Company Purposes in the future.

Section 5.2 Withholding. The Company may withhold from any distribution to any Member any amount which the Company has paid or is obligated to pay in respect of any withholding or other tax, including, without limitation, any interest, penalties or additions with respect thereto, imposed on any interest or income of or distributions to such Member, and such withheld amount shall be considered an interest payment or a distribution, as the case may be, to such Member for purposes hereof. If no payment is then being made to such Member in an amount sufficient to pay the Company's withholding obligation, any amount which the Company is obligated to pay shall be deemed an interest-free advance from the Company to such Member, payable by such Member by withholding from subsequent distributions or, with Board

Approval, within ten (10) days after receiving written request for payment from the Company or Administrative Agent.

Section 5.3 Reserves; Re-Investment; Certain Limitations; Distributions in Kind. Notwithstanding the foregoing provisions:

(a) The Company may withhold from any distribution a reasonable reserve which the Board determines to be appropriate for working capital of the Company or to discharge Temporary Advances, costs, Expenses, indemnification amounts payable under this Agreement, and liabilities of the Company (whether or not accrued or contingent), or otherwise to be in the best interests of the Company for any Valid Company Purpose (such reasonable reserve being referred to herein as the "Reserved Amount"). Any part or all of such Reserved Amount that is released from reserve with Board Approval (other than to make payments on account of a purpose for which the reserve was established) shall be distributed to the Members in accordance with Section 5.1 through Section 5.2.

(b) During the Investment Period, the Board may reinvest (or retain for reinvestment) all or a portion of the Investment Proceeds received during the Investment Period to make any Investment approved by the Board that is reasonably expected at the time the amount is retained. To the extent the Company makes a distribution of Investment Proceeds to a Member during the Investment Period or thereafter in accordance with this Section 5.3(b) representing a return of capital, such amount shall be added to the unfunded Capital Commitment of such Member and may be recalled by the Company under Article 3; provided that in no event will a Member's unfunded Capital Commitment be increased above its aggregate Capital Commitment. After the end of the Investment Period, all or any portion of the Investment Proceeds received by the Company may be used, in the Board's discretion, for the purposes that Capital Contributions may be called after the Investment Period pursuant to Section 3.1(d).

(c) In no event shall the Company be required to make a distribution to the extent that it would (i) render the Company insolvent or (ii) violate Section 18-607(a) of the Act.

(d) No part of any distribution shall be paid to any Member which owes the Company, at the time of such distribution, any amount required to be paid to the Company pursuant to Article 3. Any such withheld distribution shall be applied against the past due amounts (including any unpaid interest that has accrued on such past due amounts) until (i) such Member's Capital Commitment has been paid in full or (ii) all past due installments of such Member's Capital Contributions required by Article 3 have been paid in full by such Member, and, thereafter, the remaining balance, if any, shall be paid to such Member, without interest.

(e) The Company shall not distribute Investments in kind (excluding cash and cash equivalents) other than with Board Approval. Distributions of loans, securities and of other non-cash assets of the Company other than upon the dissolution and liquidation of the Company shall only be made *pro rata* to all Members (in proportion to their respective shares of the total distribution) with respect to each loan security or other such asset distributed. Securities listed on a national securities exchange that are not restricted as to transferability and unlisted securities for which an active trading market exists and that are not restricted as to transferability shall be valued in the manner contemplated by Section 9.4 as of the close of business on the day preceding the distribution, and all other loans, securities and other non-cash assets shall be valued as determined in the last valuation made pursuant to Section 9.4.

(f) Subject to Board Approval, a Member may elect to waive all or any portion of a distribution otherwise payable to such Member at which time the waived amount of the distribution shall be treated as a Capital Contribution by such Member and shall decrease such Member's unfunded Capital Commitment by the same amount.

ARTICLE 6
MANAGEMENT OF COMPANY

Section 6.1 Management Generally; Approval of Administrative Services Agreement.

(a) The management of the Company and its affairs (including exercising any right, power, privilege or interest of the Company in or with respect to any Subsidiary and Alternative Investment Vehicle) shall be vested in the Board, which shall act as the "manager" of the Company for the purposes of the Act. Unless otherwise provided herein, all consents, approvals, votes, waivers or other decisions to be made by the Members hereunder and under the Administrative Services Agreement shall require Board Approval. Notwithstanding the foregoing or any other provision contained herein to the contrary, to the extent that any action is required under applicable law to be taken by the Members (including in their capacity as members of the Company), the unanimous vote of all Members will control.

(b) The Company is entering into the Administrative Services Agreement with the Administrative Agent, pursuant to which certain non-discretionary administrative functions are delegated by the Board to the Administrative Agent, which Administrative Agent may further delegate any such functions to a sub-administrator with Board Approval. The Administrative Agent will not provide any investment advisory services for or on behalf of the Company or any Subsidiary or Alternative Investment Vehicle. The Administrative Services Agreement is hereby approved by the Members, and shall not require Board Approval for its initial execution and delivery; provided that any amendments thereto shall be subject to Board Approval.

Section 6.2 Composition of the Board.

(a) Subject to Section 2.9, all business and affairs of the Company (including exercising any right, power, privilege or interest of the Company in or with respect to any Subsidiary and Alternative Investment Vehicle) shall be managed by or under the direction of the Board. The Members may determine at any time by mutual agreement the number of Board Members to constitute the Board and the authorized number of Board Members may be increased or decreased by unanimous approval of the Members at any time; provided that at all times the Board shall include at least one Board Member who is an Independent Board Member. An "Independent Board Member" shall be a Board Member who is not at such time, and shall not have not been at any time, (i) a manager, officer, employee or Affiliate of the Company or any major creditor, or a manger, officer or employee of any such Affiliate (other than an Independent Board Member or similar position of the Company or an Affiliate) or (ii) the beneficial owner of any limited liability company interests of the Company or any voting, investment or other ownership interests of any Affiliate of the Company or of any major creditor. The term "major creditor" shall mean a financial institution to which the Administrative Agent, the Company, any lender to the Company or any of their respective subsidiaries or Affiliates has outstanding indebtedness for borrowed money in a sum sufficiently large as would reasonably be expected to influence the judgment of the proposed Independent Board Member adversely to the interest of the Company when its interests are adverse to those of the Administrative Agent, the Company, any such lender or any of their Affiliates and successors. The initial number

of Board Members shall be five (5), and each Member shall have the right to designate or appoint two (2) initial Board Members, and the Members shall designate and appoint by mutual agreement the initial Independent Board Member. At all times, the Board shall have equal representation between the Members. Each Board Member designated or appointed by a Member (or the Members, as applicable) shall hold office until a successor is designated or appointed or until such Board Member's earlier death, resignation, expulsion or removal. No resignation or removal of an Independent Board Member, and no appointment of a successor Independent Board Member, shall be effective until such successor shall have accepted his or her appointment as an Independent Board Member by a written instrument and shall have signed this Agreement pursuant to Section 8.2(b). In the event of any vacancy in the Board, the Members may designate and appoint by mutual agreement a replacement board member to fill such vacancy and in the event of a vacancy in the position of Independent Board Member, the Members shall, as soon as practicable, designate and appoint a successor Independent Board Member. The Independent Board Member shall have a single vote solely in connection with any Material Action, and the Non-Independent Board Members designated and appointed by each Member (or the Members, as applicable) collectively shall have a single vote on all matters. Each Non-Independent Board Member must be an officer or employee of a Member.

(b) Subject to Section 2.9, the Board shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, and the Board has the authority to bind the Company.

Section 6.3 Meetings of the Board. The Board may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by a Board Member on not less than one (1) Business Day's notice to each Board Member by telephone, facsimile, mail, electronic mail or any other means of electronic communication designated by the Board Member, and special meetings shall be called by a Board Member in like manner and with like notice upon the written request of any one or more of the Board Members. A Board Member may waive notice to the Board Member of a meeting for which purpose a Board Member's participation in a meeting shall be deemed to waive notice of the meeting if notice was not provided pursuant to this Section 6.3.

Section 6.4 Quorum; Acts of the Board; Material Actions.

(a) At all meetings of the Board, a quorum requires at least two (2) Board Members; provided that at least one (1) Board Member is present that was designated or appointed by each Member. The unanimous approval of all the Board Members present at any meeting at which there is a quorum shall be required to approve any act of or on behalf of the Company, including any act set forth on Schedule B attached hereto; *provided* that the Board may approve any act of or on behalf of the Company without a meeting and without a vote if consented to, in writing or by electronic transmission, by Board Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Board Members entitled to vote thereon were present and voted. If a quorum shall not be present at any meeting of the Board, the Board Members present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if an equal number of members of the Board designated or appointed by each Member consent thereto by executing the related written consent (including, without limitation, by e-mail), and the writing or writings are filed with the minutes of proceedings of the Board. If, at the time of a meeting of the Board, a

Member is a Defaulting Member, a non-defaulting Member may unilaterally elect to (i) waive the requirement that a Board Member designated or appointed by the Defaulting Member be present for purposes of achieving quorum and/or (ii) elect to allow any act of or on behalf of the Company to be taken with unanimous approval of the present Board Members designated or appointed by the non-defaulting Members.

(b) Notwithstanding any other provision of this Agreement or any other document governing the formation, management or operation of the Company and notwithstanding any provision of law that otherwise so empowers the Company, the Members, the Board, the Board Members or any other Person, neither the Board, the Board Members nor any other Person shall be authorized or empowered, nor shall they permit the Company, without the prior unanimous written consent of all of the Board Members, including the Independent Board Member (and no such actions shall be taken or authorized unless there is at least one Independent Board Member then serving in such capacity), take any of the following actions with respect to the Company (each such action, a "Material Action"): to institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Company or to the substantive consolidation of the Company with any Member or Affiliate, or file a petition or consent to a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or to seek any relief under any law relating to the relief from debts or the protection of debtors, or consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors, or, except as required by law, admit in writing its inability to pay its debts generally as they become due, or take any action in furtherance of any of the foregoing or amend any of the provisions that prohibit acting without the consent of the Independent Board Member or that require the consent of the Independent Board Member to pursue any action.

Section 6.5 Participation in Meetings by Electronic Communications. Members of the Board may participate in meetings of the Board by means of telephone conference, video conference or similar communications equipment that allows all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

Section 6.6 Compensation of Board Members; Expenses. The Board shall have the authority to fix the compensation of the Board Members. Non-Independent Board Members shall not receive any compensation for service on the Board. The Board Members may be paid their expenses, if any, of attendance at meetings of the Board, which may be a reimbursement or a fixed sum for attendance at each meeting of the Board (in such amount as determined by the Board). No such payment shall preclude any Board Member from serving the Company in any other capacity and receiving compensation therefor.

Section 6.7 Removal of Board Members.

(a) Unless otherwise restricted by law, any Non-Independent Board Member may be removed or expelled, with or without cause, at any time by the Member that designated or appointed such Non-Independent Board Member, and any vacancy caused by any such removal or expulsion may be filled by an officer or employee of such Member, with the approval of the other Member (which approval shall not be unreasonably withheld).

(b) The Independent Board Member shall only be removed (i) for acts or omissions that constitute willful disregard of, bad faith or gross negligence with respect to, or a breach of such Independent Board Member's duties under this Agreement, (ii) if such Independent Board Member has engaged in or has been charged with, or has been convicted of, fraud or other acts constituting a crime under any law applicable to such Independent Board Member or acts relating to dishonesty, embezzlement, falsification of records or similar acts of malfeasance, (iii) if such Independent Board Member is unable to perform his or her duties as Independent Board Member due to death, disability or incapacity, (iv) if such Independent Board Member no longer meets the qualifications for an Independent Board Member set forth above or (v) with the consent of each Member (for any or no reason). No resignation or removal of an Independent Board Member, and no appointment of a successor Independent Board Member, shall be effective until such successor shall have accepted his or her appointment as an Independent Board Member by a written instrument and shall have signed this Agreement pursuant to Section 8.2(b).

Section 6.8 Board as Agent. To the extent of its powers set forth in this Agreement, the Board is the manager of the Company for the purpose of the Company's business, and the actions of the Board taken in accordance with such powers set forth in this Agreement shall bind the Company. Notwithstanding the last sentence of Section 18-402 of the Act, except as provided in this Agreement or in a resolution of the Board, neither a Member nor a Board Member may bind the Company.

Section 6.9 Officers. The officers of the Company shall be designated by the Board. Additional or successor officers of the Company shall be chosen by the Board. Any number of offices may be held by the same person. The salaries, if any, of all officers shall be fixed by or in the manner prescribed by the Board, although initially it is not expected that officers will receive any compensation. The officers of the Company shall hold office until their successors are chosen and qualified. Any officer may be removed at any time, with or without cause, by the affirmative vote of the Board. Any vacancy occurring in any office of the Company shall be filled by the Board.

Section 6.10 Officers as Agents. The officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the Board, not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and the actions of the officers taken in accordance with such powers shall bind the Company.

Section 6.11 Duties of Board, Board Members and Officers; Disclaimer of Duties.

(a) To the extent that, at law or in equity, the Board, a Board Member or an officer of the Company has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, the Board or such Board Member or officer acting in good faith pursuant to the terms of this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. Furthermore, each Non-Independent Board Member shall be entitled to act in the interests of the Member that elected, designated or appointed them to the Board, and such Non-Independent Board Member shall not, by virtue of such position, be deemed to owe fiduciary or other duties to the Company or to the other Members. Accordingly, each of the Members and the Company hereby disclaims and waives any and all fiduciary or other duties that, absent such waiver, may be specified or implied by applicable law, and in doing so, acknowledges and agrees that the duties and obligations of each Member, Non-Independent Board Member and officer to each other and to the Company are only as may be expressly set forth in this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of the Board, a Non-Independent Board Member or an officer otherwise existing at law or in equity,

are agreed by the Members and the Company to replace such other duties and liabilities of the Board or such Board Member or officer.

(b) To the fullest extent permitted by law, including Section 18-1101(c) of the Act, and notwithstanding any duty otherwise existing at law or in equity, the Independent Board Member shall consider only the interests of the Company, including its respective creditors, in acting or otherwise voting on the matters referred to in Section 6.4(b). Except for duties to the Company as set forth in the immediately preceding sentence (including duties to the Members and the Company's creditors solely to the extent of their respective economic interests in the Company but excluding (i) all other interests of the Members, (ii) the interests of other Affiliates of the Company, and (iii) the interests of any group of Affiliates of which the Company is a part), the Independent Board Member shall not have any fiduciary duties to the Members, any officer of the Company or any other Person bound by this Agreement; provided, however, the foregoing shall not eliminate the implied contractual covenant of good faith and fair dealing. To the fullest extent permitted by law, including Section 18-1101(e) of the Act, an Independent Board Member shall not be liable to the Company, the Members or any other Person bound by this Agreement for breach of contract or breach of duties (including fiduciary duties), unless the Independent Board Member acted in bad faith or engaged in willful misconduct. All right, power and authority of the Independent Board Member shall be limited to the extent necessary to exercise those rights and perform those duties specifically set forth in this Agreement. Notwithstanding any other provision of this Agreement to the contrary, each Independent Board Member, in its capacity as an Independent Board Member, may only act, vote or otherwise participate in those matters referred to in Section 6.4(b) or as otherwise specifically required by this Agreement.

Section 6.12 Reliance by Third Parties. Notwithstanding any other provision of this Agreement, any contract, instrument or action on behalf of the Company by (a) a Board Member, or (b) an officer or any other Person delegated by Board Approval, shall be conclusive evidence in favor of any third party dealing with the Company that such Person has the authority, power and right to execute and deliver such contract or instrument and to take such action on behalf of the Company. This Section 6.12 shall not be deemed to limit the liabilities and obligations of such Person to seek Board Approval as set forth in this Agreement.

Section 6.13 Allocation of Investment Opportunities. NMFC shall adopt and make available to SkyKnight an investment allocation policy (including any subsequent material amendments thereto) as is typical and customary for such policies; provided, that NMFC's investment adviser, in lieu of NMFC, may fulfill its obligation under this Section 6.13.

Section 6.14 Indemnification; Exculpation.

(a) Subject to the limitations and conditions as provided in this Section 6.14, each director, manager, officer, representative and agent of the Company or any of its Subsidiaries, each Board Member, each Member and their respective employees, directors, managers, officers, owners, principals, shareholders, members, partners, representatives and agents (each, an "Indemnified Person") who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or arbitrative or in the nature of an alternative dispute resolution in lieu of any of the foregoing (other than any of the foregoing between the two Members, hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such Indemnified Person (i) is or was a director, manager, officer,

representative or agent (as applicable) of the Company or any of its Subsidiaries, a Board Member, a Member or any of their respective employees, directors, managers, officers, owners, principals, shareholders, members, partners, representatives or agents, and (ii) is or was performing any duty or obligation or exercising any right arising out of or in connection with under this Agreement or the Administrative Services Agreement, shall be indemnified by the Company to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such applicable law permitted the Company to provide prior to such amendment) against all liabilities and expenses (including, without limitation, judgments, penalties (including, without limitation, excise and similar taxes and punitive damages), losses, fines, settlements and reasonable expenses (including, without limitation, reasonable attorneys' and experts' fees and expenses)) actually incurred by such Indemnified Person in connection with such Proceeding, appeal, inquiry or investigation (each, a "Harm"), unless such Harm shall have been fully adjudicated to constitute gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where the Indemnified Person has a reasonable cause to believe that such conduct was unlawful) by the Indemnified Person seeking indemnification hereunder, in which case such indemnification shall not cover such Harm to the extent resulting from such gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where the Indemnified Person has a reasonable cause to believe that such conduct was unlawful). Indemnification under this Section 6.14 shall continue as to an Indemnified Person who has ceased to serve in the capacity which initially entitled such Indemnified Person to indemnity hereunder. The rights granted pursuant to this Section 6.14 shall be deemed contract rights, and no amendment, modification or repeal of this Section 6.14 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings, appeals, inquiries or investigations arising prior to any amendment, modification or repeal. To the fullest extent permitted by law, no individual entitled to indemnification under this Section 6.14 shall be liable to the Company or any Member for any act or omission performed or omitted by or on behalf of the Company; provided that such act or omission has not been fully adjudicated to constitute gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where such individual had a reasonable cause to believe that such conduct was unlawful). In addition, any Indemnified Person entitled to indemnification under this Section 6.14 may consult with legal counsel selected with reasonable care and shall incur no liability to the Company or any Member to the extent that such Indemnified Person acted or refrained from acting in good faith in reliance upon the opinion or advice of such counsel and such Indemnified Person provided such counsel all material facts.

(b) The right to indemnification conferred in Section 6.14(a) shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred by an Indemnified Person entitled to be indemnified under Section 6.14(a) who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Indemnified Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Company of a written undertaking by such Indemnified Person to repay all amounts so advanced if it shall be

finally adjudicated that such Indemnified Person is not entitled to be indemnified under this Section 6.14 or otherwise.

(c) The right to indemnification and the advancement and payment of expenses conferred in this Section 6.14 shall not be exclusive of any other right that a Member or other Indemnified Person indemnified pursuant to this Section 6.14 may have or hereafter acquire under any law (common or statutory) or provision of this Agreement.

(d) The indemnification rights provided by this Section 6.14 shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of each Indemnified Person indemnified pursuant to this Section 6.14.

(e) In furtherance of this Section 6.14, the Company acknowledges that certain Indemnified Persons entitled to indemnification under this Section 6.14 may have rights to indemnification, advancement of expenses and/or insurance provided by Persons other than the Company (collectively, the "Outside Indemnitors"). The Company hereby agrees (i) that it (and any of its insurers) is the indemnitor of first resort (*i.e.*, its obligations to such Indemnified Persons under this Section 6.14 are primary, and any obligation of the Outside Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Indemnified Persons are secondary), (ii) that the Company (and any of its insurers) shall be required to advance the full amount of expenses incurred by such Indemnified Persons and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement (or any other agreement between the Company and such Indemnified Persons), without regard to any rights such Indemnified Persons may have against the respective Outside Indemnitors, and (iii) that the Company irrevocably waives, relinquishes and releases the Outside Indemnitors from any and all claims against the Outside Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Outside Indemnitors on behalf of any such Indemnified Person with respect to any claim for which such Indemnified Person has sought indemnification from the Company (or any of its insurers) shall affect the foregoing, and the Outside Indemnitors shall have a right of contribution and/or be subrogated to the extent of any such advancement or payment to all of the rights of recovery of such Indemnified Person against the Company (and any of its insurers). Notwithstanding the foregoing, to the extent that a Member or any Indemnified Person who is such Member's employee, director, manager, officer, owner, principal, shareholder, member, partner, representative or agent has received indemnification or advancement of expenses for a Harm from an Outside Indemnitor, the Members agree that such Member shall return (and shall use reasonable efforts to cause any such Indemnified Person to return) any indemnification or advancement of expenses received from the Company (or any of its insurers) with respect to the same Harm. The Company agrees that the Outside Indemnitors are express third-party beneficiaries of the terms of this Section 6.14(e).

(f) Notwithstanding the foregoing provisions, any amounts payable by the Company as a result of the indemnification set forth herein shall only be payable to the extent amounts are available therefor pursuant to the terms of the Loan and Security Agreement and, to the fullest extent permitted by law, shall not constitute a claim against the Company in the event that the Company's cash flow is insufficient to pay all its obligations to the lenders under the Loan and Security Agreement.

Section 6.15 Tax Matters Member. NMFC shall be the "tax matters partner" of the Company within the meaning of Section 6231(a)(7) of the Code , and NMFC (or such Person as may be designated by NMFC in its sole discretion) shall be designated, in the manner prescribed by applicable law, as the partnership representative authorized to act on behalf of the Company in respect of Company audits relating to tax returns filed for taxable years beginning after 2017 (NMFC and/or such other person, the "Tax Matters Member"). The provisions of Section 6.14 shall apply to all actions taken on behalf of the Members by the Tax Matters Member in its capacity as such. The Tax Matters Member shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the tax matters partner of the Company. The Tax Matters Member shall have the right to retain professional assistance in respect of any audit of the Company and all reasonable, documented out-of-pocket expenses and fees incurred by the Tax Matters Member on behalf of the Company as Tax Matters Member shall be reimbursed by the Company. In the event the Tax Matters Member receives notice of a final Company adjustment under Section 6223(a) of the Code, it shall either (a) file a court petition for judicial review of such final adjustment within the period provided under Section 6226(a) of the Code, a copy of which petition shall be mailed to all Members on the date such petition is filed, or (b) mail a written notice to all Members within such period that describes its reasons for determining not to file such a petition. Each Member shall be a "notice partner" within the meaning of Section 6231(a)(8) of the Code. For the avoidance of doubt, the Tax Matters Member shall not take any action prior to Board Approval for same being obtained.

ARTICLE 7
TRANSFERS OF COMPANY INTERESTS; WITHDRAWALS

Section 7.1 Transfers by Members.

(a) No Member shall transfer, assign, pledge or otherwise hypothecate its interest without Board Approval (which approval shall not be unreasonably withheld). In addition, if a Member is excepted from the definition of an "investment company" (as that term is defined in the Investment Company Act) pursuant to Section 3(c)(1) or Section 3(c)(7) thereof, such Member shall not permit any investor in such Member to transfer, assign, pledge or otherwise hypothecate such investor's interest in such Member without Board Approval (which approval shall not be unreasonably withheld). Notwithstanding anything in this Section 7.1(a) to the contrary, to the extent not prohibited by the terms of any Facility, each Member may pledge, assign or hypothecate its interest to senior credit facility provider for such Member in compliance with all applicable securities laws with prior written notice to each other Member. In addition, other than in accordance with the preceding sentence, the interest of a Member may not be assigned without first offering the other Member a right of first refusal to purchase the interest as set forth in Section 7.1(f). Notwithstanding the foregoing or any other provision contained herein to the contrary, without Board Approval or the offering of such right of first refusal, SkyKnight or NMFC in its capacity as an initial Member may assign its entire interest to an Affiliate of such Member (which may be reassigned in whole but not in part to one or more additional Affiliates of such Member) with prior written notice to each other Member, if SkyKnight or NMFC (as applicable) in its capacity as the assignor remains liable for its Capital Commitment. No assignment by a Member shall be binding upon the Company until the Company receives an executed copy of such assignment, which shall be in form and substance reasonably satisfactory to the other Member, and any assignment pursuant to this Section 7.1(a) shall be subject to satisfaction of the conditions set forth in Section 7.1(e).

(b) Any Person which acquires a Company interest by assignment in accordance with the provisions of this Agreement shall be admitted as a substitute Member only upon approval of

the non-transferring Member. The admission of an assignee as a substitute Member shall be conditioned upon the assignee's written assumption, in form and substance satisfactory to the other Member, of all obligations of the assignor in respect of the assigned interest and execution of an instrument reasonably satisfactory to the other Member whereby such assignee becomes a party to this Agreement.

(c) In the event any Member shall be adjudicated as bankrupt, or in the event of the winding-up or liquidation of a Member, the legal representative of such Member shall, upon written notice to the other Member of the happening of any of such events and satisfaction of the conditions set forth in Section 7.1(e), become an assignee of such Member's interest, subject to all of the terms of this Agreement as then in effect.

(d) Any assignee of the interest of a Member, irrespective of whether such assignee has accepted and adopted in writing the terms and provisions of this Agreement, shall be deemed by the acceptance of such assignment to have agreed to be subject to the terms and provisions of this Agreement in the same manner as its assignor.

(e) As additional conditions to the validity of any assignment of a Member's interest, such assignment shall not:

(i) cause the securities issued by the Company to be required to be registered under the registration provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction;

(ii) cause the Company to cease to be entitled to the exemption from the definition of an "investment company" pursuant to Section 3(c)(7) of the Investment Company Act and the rules and regulations of the SEC thereunder;

(iii) unless the other Member waives in writing the application of this clause (iii) with respect to such assignment (which the other Member may refuse to do in its absolute discretion), be to a Person which is an ERISA Plan;

(iv) cause the Company or the other Member to be in violation of, or effect an assignment to a Person that is in violation of, applicable Investor Laws; or

(v) cause the Company to be treated as a publicly traded partnership taxable as a corporation for federal tax purposes.

The non-assigning Member may require reasonable evidence as to the foregoing, including, without limitation, an opinion of counsel reasonably acceptable to the non-assigning Member. Any purported assignment as to which the conditions set forth in the foregoing clauses (i) through (iv) are not satisfied shall be void ab initio. An assigning Member shall be responsible for all costs and expenses incurred by the Company, including, without limitation, reasonable legal fees and expenses, in connection with any assignment or proposed assignment.

(f) Each Member hereby unconditionally and irrevocably grants to the other Member or its designee a right of first refusal to purchase all, but not less than all, of any interest in the Company that such assigning Member may propose to assign to another Person, at the same price and on the same terms and conditions as those offered to the prospective assignee. Each Member

proposing to make an assignment that is subject to this Section 7.1(f) must deliver a notice to the other Member not later than thirty (30) days prior to the proposed closing date of such assignment. Such notice shall contain the material terms and conditions (including, without limitation, price and form of consideration) of the proposed assignment and the identity of the prospective assignee. To exercise its right of first refusal under this Section 7.1(f), the other Member must deliver a notice to the selling Member within fifteen (15) days of receipt of such notice, stating that it elects to exercise its right of first refusal and, if applicable, providing the identity of any Person(s) (including third parties unaffiliated with the exercising Member) that the non-assigning Member designates as the purchaser(s).

(g) Notwithstanding anything in this Agreement to the contrary, each Member acknowledges and agrees that in the event such Member is entitled to transfer its interest in the Company, prior to the effectiveness of such transfer, such Member shall be obligated to take such actions as are required to satisfy any restrictions on such transfer under any Facility (*e.g.*, funding such Capital Contributions as may be required under the terms of a Facility as a result of such transfer; provided that in no event shall any amounts funded by such Member exceed the remaining amount of its uncalled Capital Commitment).

Section 7.2 Withdrawal by Members. Members may withdraw from the Company only with Board Approval.

ARTICLE 8
TERM, DISSOLUTION AND LIQUIDATION OF COMPANY

Section 8.1 Term. Except as provided in Section 8.2, the Company shall continue until two (2) years after the end of the Investment Period.

Section 8.2 Dissolution.

(a) Subject to Section 8.2(b), the Company shall be dissolved and its affairs wound up upon the occurrence of the earliest of:

(i) the termination of the legal existence of the last remaining Member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining Member of the Company in the Company, unless the Company is continued without dissolution in a manner permitted by this Agreement or the Act,

(ii) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act; and

(iii) the distribution of all assets of the Company.

(b) Notwithstanding Section 8.2(a), and subject to applicable law, the Company shall not be required to wind up, dissolve or terminate if any such action would cause the Company or any Subsidiary to violate any law or contract applicable to any such Person. Without limiting the foregoing, prior to termination of the Loan and Security Agreement in accordance with is terms, upon the occurrence of any event that causes the last remaining Member to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon (i) a permitted assignment by such Member of all of its limited liability company interests in the Company

and the admission of the transferee pursuant to the terms of this Agreement or (ii) the removal and replacement of such Member pursuant to the terms of this Agreement), the Independent Board Member shall, without any action of any Person and simultaneously with the last remaining Member ceasing to be a member of the Company, automatically be admitted to the Company as the Special Member (the "Special Member") and shall continue the Company without dissolution. The Special Member may not resign from the Company or transfer its rights as the Special Member unless (i) a successor Special Member has been admitted, with the consent of the Special Member, to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment by the Special Member as an Independent Board Member pursuant to Section 6.2(a); provided, however, the Special Member shall automatically cease to be a member (but not an Independent Board Member) of the Company upon the admission to the Company of a substitute managing member elected by the Special Member. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, the Special Member shall not be required to make any capital contributions to the Company and shall not have any limited liability company interest in the Company. The Special Member, in its capacity as the Special Member, may not bind the Company. Except as required by any mandatory provision of the Act (and other than with respect to the admission of a substitute Member or successor Special Member and the appointment of an Independent Board Member pursuant to Section 6.2(a)), the Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of the Special Member, the person acting as an Independent Board Member pursuant to Section 6.2(a) shall execute a counterpart to this Agreement. Prior to its admission to the Company as the Special Member, the person acting as an Independent Board Member pursuant to Section 6.2(a) shall not be a member of the Company. By signing this Agreement, the Independent Board Member agrees that should the Independent Board Member become a Special Member [s]he shall be subject to and bound by the provisions of this Agreement applicable to the Special Member.

(c) Notwithstanding any other provision of this Agreement, the bankruptcy, insolvency, dissolution or liquidation of a Member or Special Member shall not cause (i) the Company to be dissolved or its affairs to be wound up, or (ii) such Member or Special Member, respectively, to cease to be a member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution.

(d) Notwithstanding any other provision of this Agreement, each Member and the Special Member waives any right it might have to agree in writing to dissolve the Company upon the bankruptcy, insolvency, dissolution or liquidation of any Member or Special Member or the occurrence of an event that causes any Member or Special Member to cease to be a member of the Company.

Section 8.3 Wind-Up.

(a) Upon the dissolution of the Company, the Company shall be liquidated in accordance with this Article 8 and the Act. The liquidation shall be conducted and supervised by the Board in the same manner provided by Article 6 with respect to the operation of the Company during its term.

(b) From and after the date on which an event set forth in Section 8.2(a) becomes effective, the Company shall cease to enter into or make Investments after that date, except for

Investments permitted pursuant to clauses (ii) through (v) of Valid Company Purposes. Capital calls against the Capital Commitment of the Members shall cease from and after such effective date; provided that capital calls against the Capital Commitments of the Members may continue to fund all items in clauses (ii) through (vi) of Valid Company Purposes. Subject to the foregoing, the Members shall continue to bear an allocable share of Expenses, indemnification amounts payable under this Agreement and other obligations of the Company until all Investments in which the Company participates (including through any applicable Subsidiaries) are repaid or otherwise disposed of.

(c) Distributions to the Members during the winding-up of the Company shall be made no less frequently than quarterly to the extent consisting of a Member's allocable share of cash and cash equivalents, after taking into account reasonable reserves deemed appropriate by Board Approval to fund (i) Investments in which the Company continues to participate, (ii) Expenses, (iii) indemnification amounts payable under this Agreement, and (iv) all other obligations (including, without limitation, contingent obligations) of the Company (each as set forth in the immediately preceding paragraph). Unless waived by Board Approval, the Company also shall withhold ten percent (10%) of distributions in any calendar year during the winding-up of the Company, which withheld amount shall be distributed within sixty (60) days after the completion of the annual audit covering such year; *provided* that distributions of any withheld amounts shall be reduced by any amounts owed by a Member as may be revealed upon the completion of such annual audit. Except as otherwise provided herein, a Member shall remain a member of the Company until all Investments in which the Company participates are repaid or otherwise disposed of, all equity interests of the Company in each Subsidiary are redeemed or such Subsidiary is dissolved, the Member's allocable share of all Expenses, indemnification amounts payable under this Agreement, and all other obligations (including, without limitation, contingent obligations) of the Company are paid, and all distributions are made hereunder, at which time the Member shall have no further rights under this Agreement. Notwithstanding the foregoing, in case of the dissolution and winding-up of the Company, and subject to this Section 8.3, distributions may be made in-kind, or a combination of cash and assets (including any debt or equity held by the Company in any Subsidiary), as the Board or liquidating agent may select in its sole and absolute discretion; provided that any distribution-in-kind shall not cause a breach by the Company or any Subsidiary of any applicable law or contract. In the event of any distributions in-kind, the assets to be distributed will be valued pursuant to the valuation procedures set forth herein.

(d) Upon dissolution of the Company, final allocations of all items of Company Profit and Loss shall be made in accordance with Section 4.2. Upon dissolution of the Company, the assets of the Company shall be applied and paid in the following order of priority:

(i) To creditors (other than Members) in satisfaction of liabilities of the Company (whether by payment or by the making of reasonable provision for payment thereof), including, without limitation, to establish any reasonable reserves which the Board may, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company and to establish any reasonable reserves with respect to amounts the Company may pay or contribute in connection with Subsidiaries;

(ii) To establish any reserves which the Board may, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company to Members;

(iii) To the liquidating agent to cover reasonable expenses incurred in connection with the dissolution of the Company; and

(iv) The balance, if any, to the Members in proportion to Section 5.1(a)(iii),Section 5.1(a)(iv), Section 5.1(a)(v) and Section 5.1(a)(vii).

(e) Notwithstanding the foregoing, and to the extent not prohibited by the terms of any Facility, (i) upon the withdrawal of a Member, the non-withdrawing Member shall have the right to purchase all of the other Member's interest in the Company by providing written notice to the other Member within thirty (30) days following the action that triggered the commencement of the dissolution procedures stating that it elects to exercise its right of purchase and, if applicable, providing the identity of any Person(s) (including third parties unaffiliated with the exercising Member) that the exercising Member designates as the purchaser(s). The purchase price for such interest shall be payable in cash within ninety (90) days after the election to purchase is delivered to the other Member, and shall be equal to the Capital Account of the other Member adjusted to reflect the Value of the Company as determined as of the date of the last valuation pursuant to Section 9.4. After such purchase, the other Member shall no longer be a member of the Company, and the Member that has elected to purchase the other Member's interest may dissolve or continue the Company as it may determine.

(f) In the event that an audit or reconciliation relating to the fiscal year in which a Member receives a distribution under this Section 8.3 reveals that such Member received a distribution in excess of that to which such Member was entitled, the Company or the other Member may, in its discretion, seek repayment of such distribution to the extent that such distribution exceeded what was due to such Member.

(g) Each Member shall be furnished with a statement prepared by the Company's accountant, which shall set forth the assets and liabilities of the Company as at the date of complete liquidation, and each Member's share thereof. Upon compliance with the distribution plan set forth in this Section 8.3, the Members shall cease to be such, and either Member may execute, acknowledge and cause to be filed a certificate of cancellation of the Company.

ARTICLE 9
ACCOUNTING, REPORTING AND VALUATION PROVISIONS

Section 9.1 Books and Accounts.

(a) Complete and accurate books and accounts shall be kept and maintained for the Company at its principal office. Such books and accounts shall be kept on the accrual basis method of accounting and shall include separate Capital Accounts for each Member. Capital Accounts for financial reporting purposes and for purposes of this Agreement shall be maintained in accordance with Section 4.1, and for U.S. federal income tax purposes the Board shall cause the Administrative Agent to maintain the Members' Capital Accounts in accordance with the Code and applicable Treasury Regulations and subject to instructions from the Board. Each Member or its duly authorized representative, at its own expense, shall at all reasonable times and upon reasonable prior written notice to the Administrative Agent have access to, and may inspect, such books and accounts and any other records of the Company for any purpose reasonably related to its interest in the Company.

(b) All funds received by the Company shall be deposited in the name of the Company in such bank account or accounts or with such custodian, and assets owned by the Company may be deposited with such custodian, as may be designated by Board Approval from time to time and withdrawals therefrom shall be made upon such signature or signatures on behalf of the Company as may be designated by Board Approval from time to time.

Section 9.2 Financial Reports; Tax Return.

(a) The Company shall engage an independent certified public accountant selected by the Administrative Agent and approved by Board Approval, which approval shall not be unreasonably withheld, to act as the accountant for the Company and to audit the Company's books and accounts as of the end of each fiscal year, commencing for the 2016 fiscal year. As soon as practicable, but no later than ninety (90) days, after the end of such fiscal year, pursuant to the Administrative Services Agreement, the Board shall cause the Administrative Agent to deliver, by any of the methods described in Section 10.8, to each Member and to each former Member who withdrew during such fiscal year:

(i) audited financial statements of the Company as at the end of and for such fiscal year, including a balance sheet and statement of income, together with the report thereon of the Company's independent certified public accountant, which annual financial statements shall be approved by Board Approval;

(ii) a statement of holdings of assets of the Company, including both the cost and the valuation of such assets as determined pursuant to Section 9.4, and a statement of such Member's Capital Account;

(iii) to the extent that the requisite information is then available, a Schedule K-1 for such Member with respect to such fiscal year, prepared in accordance with the Code, together with corresponding forms for state income tax purposes, setting forth such Member's distributive share of Company items of Profit or Loss for such fiscal year and the amount of such Member's Capital Account at the end of such fiscal year; and

(iv) such other financial information and documents respecting the Company and its business as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to monitor and evaluate its interest in the Company, to comply with regulatory requirements applicable to it or to prepare its federal and state income tax returns.

(b) Pursuant to the Administrative Services Agreement, the Board shall cause the Administrative Agent to prepare and timely file after the end of each fiscal year of the Company all income tax returns of the Company for such fiscal year.

(c) Pursuant to the Administrative Services Agreement, as soon as practicable, but in no event later than sixty (60) days, after the end of each of the first three fiscal quarters of a fiscal year, the Board shall cause the Administrative Agent to prepare and deliver, by any of the methods described in Section 10.8, to each Member (i) unaudited financial information (including the Company's balance sheet and statement of income and each Member's Capital Account as of the beginning and end of the related reporting period) with respect to such Member's allocable share of Profit or Loss and changes to its Capital Account as of the end of such fiscal quarter and for the

portion of the fiscal year then ended, (ii) a statement of holdings of assets of the Company as to which such Member participates, including both the cost and the valuation of such assets as determined pursuant to Section 9.4, and (iii) such other financial information as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to monitor and evaluate its interest in the Company or to comply with regulatory requirements applicable to it.

(d) Pursuant to the Administrative Services Agreement, as soon as practicable, but, subject to the availability of required information, the Board shall cause the Administrative Agent to prepare and deliver, by any of the methods described in Section 10.8, to each Member (i) no later than fifteen (15) days after the end of each calendar month, monthly investment information consisting of a list of each Investment held by the Company, any Subsidiary and any Alternative Investment Vehicle, together with the amount held, investment yield, current rating (if the Administrative Agent has such information in its possession), maturity, coupon, purchase price and current price of each such Investment as of the end of such month, and (ii) such other information as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to monitor and evaluate its interest in the Company or to comply with regulatory requirements applicable to it.

Section 9.3 Confidentiality.

(a) Each Member agrees to maintain the confidentiality of all records, reports and affairs of the Company (including relating to any Subsidiary or Alternative Investment Vehicle), and all information and materials furnished to such Member by the Company, any Subsidiary, any other Member, NMFC's investment adviser, SkyKnight's investment adviser, the Administrative Agent or any of their respective Affiliates with respect to their respective businesses and activities; each Member agrees not to provide to any other Person copies of any financial statements, tax returns or other records or reports, or other information or materials, provided or made available to such Member; and each Member agrees not to disclose to any other Person any information contained therein (including any information respecting Portfolio Companies), without the express prior written consent of the Member that is the non-disclosing party or, if the Company is the disclosing party, each of the other Members; provided that each Member may disclose (xi) any such information to its investment adviser and investment sub-adviser, or as such Member reasonably believes may be required in connection with the filing of its Registration Statement on Form N-2 or other SEC filings and any periodic reports under the Securities Exchange Act of 1934, as amended, (xii) with Board Approval, the names of borrowers of loans and other investments held by the Company, directly or indirectly through a Subsidiary or otherwise, and summaries of such loan transactions and other investments in any marketing materials (including tombstone ads) in connection with the publication in the ordinary course of business of marketing and investor relation documents and communications by such Member or its Affiliates, (xiii) in any press release or other similar public statements that concerns the Company and/or the subject matter of this Agreement and is approved by Board Approval; and (xiv) aggregate quarterly or annual portfolio performance metrics relating to prior periods at least 90 days after completion of such periods; provided, further, that any Member may provide financial statements, tax returns and other information contained therein (I) to its Affiliates and the accountants, internal and external auditors, legal counsel, financial advisors and other fiduciaries and representatives (who may be Affiliates of such Member) of such Member and its Affiliates as long as such Member or its Affiliates instructs such Persons to maintain the confidentiality thereof and not to disclose to any other Person any information contained therein (in each instance, to the same extent and subject to the terms and conditions set forth in this Section

9.3); (II) to potential transferees of such Member's Company interest that agree in writing, for the benefit of the Company, to maintain the confidentiality thereof, but only after reasonable advance notice to the Company; (III) if and to the extent required by law (including judicial or administrative order); provided that, to the extent legally permissible, the Company is given prior notice to enable it to seek a protective order or similar relief; (IV) to representatives of any governmental regulatory agency or authority with jurisdiction over such Member or any of its Affiliates, or as otherwise may be necessary to comply with regulatory requirements applicable to such Member or any of its Affiliates; (V) as required or advisable to obtain financing directly or indirectly by the Company or by a Subsidiary or by the Member or as required or permitted to be disclosed under any related offering or transaction documents; and (VI) in order to enforce rights under this Agreement. Notwithstanding the foregoing, the following shall not be considered confidential information for purposes of this Agreement: (1) information that is publicly available; (2) information obtained by a Member from a third party who is not prohibited from disclosing the information; (3) information in the possession of a Member prior to its disclosure by the Company, a Subsidiary, another Member, NMFC's investment adviser, NMFC's investment sub-adviser, SkyKnight's investment adviser, SkyKnight's investment sub-adviser, the Administrative Agent or any of their respective Affiliates; or (4) information which a Member can show by written documentation was developed independently of disclosure by the Company, a Subsidiary, another Member, NMFC's investment adviser, NMFC's investment sub-adviser, SkyKnight's investment adviser, SkyKnight's investment sub-adviser, the Administrative Agent or any of their respective Affiliates. Without limitation to the foregoing, no Member shall engage in the purchase, sale or other trading of securities or derivatives thereof based upon confidential information received from the Company, a Subsidiary, another Member, NMFC's investment adviser, SkyKnight's investment adviser, the Administrative Agent or any of their respective Affiliates.

(b) Each Member: (i) acknowledges that the Company, another Member, NMFC's investment adviser, SkyKnight's investment adviser, the Administrative Agent, each of their respective Affiliates, and their respective direct or indirect members, managers, officers, directors and employees are expected to acquire confidential third-party information (*e.g.*, through Portfolio Company directorships held by such Persons or otherwise) that, pursuant to fiduciary, contractual, legal or similar obligations, cannot be disclosed to the Company or the Member; and (ii) agrees that none of such Persons shall be in breach of any duty under this Agreement or the Act as a result of acquiring, holding or failing to disclose such information to the Company or the Members.

(c) In the event of unauthorized disclosure of confidential information described in Section 9.3(a), the disclosing Member will promptly notify the other Members in writing and provide full details of any unauthorized possession, use or disclosure of such information by any person or entity that may become known to the disclosing Member. The disclosing Member promptly shall use commercially reasonable efforts to prevent a recurrence of any such unauthorized possession, use or disclosure of confidential information.

(d) Each Member acknowledges and is aware of federal securities laws applicable to such Member that generally prohibit the purchase and sale of securities on the basis of material non-public information with respect to Investments.

Section 9.4 Valuation.

(a) Valuations of the Company as well as each of the Company's assets and liabilities (including the assets and liabilities of each Subsidiary and each Alternative Investment Vehicle) shall be made as of the end of each fiscal quarter and upon liquidation of the Company pursuant to Section 8.3 in accordance with the following provisions and the Company's valuation guidelines adopted by Board Approval and then in effect; provided that the valuation of all liabilities shall be determined only in accordance with Section 9.4(a)(iv).

(i) Within fifteen (15) days after the date as of which a valuation is to be made (unless such valuation date is a fiscal year-end date, in which case, within thirty (30) days after the date as of which a valuation is to be made), pursuant to policies adopted by Board Approval, the Administrative Agent shall deliver to the Board a report as to the recommended valuation as of such date, and provide the Board (and each Member) with a reasonable opportunity to request information and to provide comments with respect to the report.

(ii) If the recommended valuation as of such date is approved by Board Approval, then the valuation that has been approved shall be final.

(iii) If there is an objection to the recommended valuation by any Member within the fifteen (15) day period following Administrative Agent's delivery of the recommended valuation to the Board (and each Member), then, unless such objection is timely resolved, the Administrative Agent shall (A) provide an Approved Valuation Expert with separate explanations of the unresolved objection(s) (one written by the Administrative Agent and setting forth the Administrative Agent's valuation or range of valuation for each asset and/or liability that is the subject of an unresolved objection, and the other written by the objecting Member and setting forth the objecting Member's valuation or range of valuation for each such asset and/or liability), and (B) request such Approved Valuation Expert to resolve each outstanding objection by choosing either the related valuation or range of valuation set forth in the Administrative Agent's explanation or the related valuation or range of valuation set forth in the objecting Member's explanation, within thirty (30) days after the date as of which a valuation is to be made (unless such valuation date is a fiscal year-end date, in which case, within forty-five (45) days after the date as of which a valuation is to be made), and the Approved Valuation Expert's determination shall be binding on the Company, the Members, and the Administrative Agent, and (C) determine a final valuation of the Company as well as each of the Company's assets and liabilities (and for each asset that was the subject of an unresolved objection, consistent with the valuation as of such date resolved by the Approved Valuation Expert), and such final valuation shall be final and binding on the Company and the Members. For this purpose, a valuation of an asset or liability as of such date shall be considered consistent with a valuation of an Approved Valuation Expert if it is equal to the recommended value or within the recommended range of values determined by the Approved Valuation Expert as of such date. An "Approved Valuation Expert" shall mean an independent valuation consultant that has been unanimously approved by all Members.

(iv) Notwithstanding the terms of foregoing provisions of this Section 9.4, liabilities of the Company, each Subsidiary and each Alternative Investment Vehicle shall be taken into account at the amounts at which they are carried on the books of the Company, each Subsidiary and each Alternative Investment Vehicle, as the case may be, and provision

shall be made in accordance with GAAP for contingent or other liabilities not reflected on such books and, in the case of the liquidation of the Company, for the expenses (to be borne by the Company) of the liquidation and winding-up of the Company's affairs.

(v) No value shall be assigned to the business name and goodwill or to the office records, files, statistical data, or any similar intangible assets of the Company, each Subsidiary and each Alternative Investment Vehicle not normally reflected in the accounting records of the Company, each Subsidiary and each Alternative Investment Vehicle, as the case may be.

(b) All valuations shall be made in accordance with the foregoing and shall be final and binding on all Members, absent actual and apparent error. Valuations of the Company's assets by independent valuation consultants shall be at the Company's expense. The fees, costs and expenses incurred in connection with valuations of the Company's assets shall be Expenses for purposes of this Agreement.

ARTICLE 10
MISCELLANEOUS PROVISIONS

Section 10.1 Power of Attorney.

(a) Each Member irrevocably constitutes and appoints the Administrative Agent as the true and lawful attorney-in-fact of such Member to execute, acknowledge, swear to and file any of the following:

(i) Any certificate or other instrument (A) which may be required to be filed by the Company under the laws of the United States, the State of Delaware, or any other jurisdiction, or (B) which the Administrative Agent shall file in connection with a Valid Company Purpose; provided that no such certificate or instrument shall have the effect of amending this Agreement or the Administrative Services Agreement other than as expressly permitted hereby;

(ii) Any amendment or modification of any certificate or other instrument referred to in this Section 10.1; and

(iii) Any agreement, document, certificate or other instrument which any Member is required to execute in connection with the termination of such Member's interest in the Company and the withdrawal of such Member from the Company, or in connection with the reduction of such Member's interest in the Company, which such Member has failed to execute and deliver within ten (10) Business Days after written request by the Administrative Agent.

It is expressly acknowledged by each Member that the foregoing power of attorney is coupled with an interest and shall survive death, legal incapacity and assignment by such Member of its interest in the Company; provided, however, that if a Member shall assign all of its interest in the Company and the assignee shall, in accordance with the provisions of this Agreement, become a substitute Member, such power of attorney shall survive such assignment only for the purpose of enabling

each attorney-in-fact to execute, acknowledge, swear to and file any and all instruments necessary to effect such substitution.

(b) Each Member agrees to execute, upon five (5) Business Days' prior written notice, a confirmatory or special power of attorney, containing the substantive provisions of this Section 10.1, in form reasonably satisfactory to the Administrative Agent.

Section 10.2 Determination of Disputes. Any dispute or controversy among the Members arising out of or in connection with (a) this Agreement or any amendment to this Agreement, (b) the breach or alleged breach of this Agreement, (c) the actions of any of the Members (in or relating to their capacity as a member of the Company), or (d) the formation, operation or dissolution and liquidation of the Company or any Alternative Investment Vehicle or any Subsidiary, shall be settled by arbitration administered by the International Centre for Dispute Resolution in accordance with its International Arbitration Rules. The place of arbitration shall be New York, New York. The number of arbitrators shall be three. The language of the arbitration shall be English. Any award of the arbitrators shall be final and binding upon the Members, the Company, any Alternative Investment Vehicle and any Subsidiary, and judgment upon any such award may be entered in any court having jurisdiction thereof. The party or parties against whom an award is made shall bear its or their own expenses and those of the prevailing party or parties, including, without limitation, fees and disbursements of attorneys, accountants, and financial experts, and shall bear all arbitration fees and expenses of the arbitrators.

Section 10.3 Certificate of Formation; Other Documents. The Members hereby approve and ratify the filing of the Certificate of Formation on behalf of the Company. The Members agree to execute such other instruments and documents as may be required by law or which the Board deems (or any Member reasonably deems) necessary or appropriate to carry out the intent of this Agreement. Each Member further agrees to deliver, if requested by the Company for provision to a third-party lender, (a) its most recent financials; (b) a certificate confirming the remaining amount of its uncalled Capital Commitment; and (c) such other instruments as the Company or a lender may reasonably require in order to effect any borrowings by the Company or any of its Subsidiaries or Portfolio Companies.

Section 10.4 Force Majeure. Whenever any act or thing is required of the Company or a Member hereunder to be done within any specified period of time, the Company and the Member shall be entitled to such additional period of time to do such act or thing as shall equal any period of delay resulting from causes beyond the reasonable control of the Company or the Member, including, without limitation, bank holidays and actions of governmental agencies, and excluding, without limitation, economic hardship; provided that this provision shall not have the effect of relieving the Company or the Member from the obligation to perform any such act or thing.

Section 10.5 Notice of Litigation or Regulatory. Each Member promptly shall notify the other Members in writing in the event that the Member or an Affiliate of the Member is involved in any litigation or regulatory enforcement proceedings, or reasonably anticipates that it may become involved in any litigation or regulatory enforcement proceedings. After initial notice, such Member promptly shall notify the other Members in writing of any material developments related to the litigation or regulatory enforcement proceedings.

Section 10.6 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the internal law of the State of Delaware, without regard to the principles of conflicts of laws thereof, to the extent such principles would require or permit the application of the laws of another jurisdiction.

Section 10.7 Waivers.

(a) No waiver of the provisions hereof shall be valid unless in writing and then only to the extent therein set forth. Any right or remedy of the Members hereunder may be waived by Board Approval, and any such waiver shall be binding on all Members. Except as specifically herein provided, no failure or delay by any party in exercising any right or remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver on any subsequent occasion.

(b) Except as otherwise provided in this Agreement, any approval or consent of the Members may be given by Board Approval, and any such approval or consent shall be binding on all Members.

Section 10.8 Notices. All notices, demands, solicitations of consent or approval, and other communications hereunder shall be in writing or by electronic mail (with or without attached PDFs), and shall be sufficiently given if (a) personally delivered, (b) sent by postage prepaid, registered or certified mail, return receipt requested, (c) sent by electronic mail, (d) sent by a reputable overnight courier or (e) sent by facsimile transmission, addressed as follows: if intended for the Company, to the Company's principal business office determined pursuant to Section 2.3; and if intended for any Member, to the address of such Member set forth on the Company's records, or to such other address as any Member may designate by written notice. Notices shall be deemed to have been given (i) when personally delivered, (ii) if sent by registered or certified mail, on the earlier of (A) three days after the date on which deposited in the mails or (B) the date on which received, or (iii) if sent by electronic mail, overnight courier or facsimile transmission, on the date on which received; provided that notices of a change of address shall not be deemed given until the actual receipt thereof. The provisions of this Section 10.8 shall not prohibit the giving of written notice in any other manner; any such written notice shall be deemed given only when actually received.

Section 10.9 Construction.

(a) The captions used herein are intended for convenience of reference only and shall not modify or affect in any manner the meaning or interpretation of any of the provisions of this Agreement.

(b) As used herein, the singular shall include the plural (and vice versa), the masculine gender shall include the feminine and neuter, and the neuter gender shall include the masculine and feminine, unless the context otherwise requires.

(c) The words "hereof," "herein," and "hereunder," and words of similar import, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(d) References in this Agreement to Articles, Sections and Schedules are intended to refer to Articles, Sections and Schedules of this Agreement unless otherwise specifically stated.

(e) Nothing in this Agreement shall be deemed to create any right in or benefit for any creditor of the Company that is not a party hereto, and this Agreement shall not be construed in any respect to be for the benefit of any creditor of the Company that is not a party hereto.

(f) References to any Person include such Person's successors (including any successor by merger, consolidation, conversion or acquisition of all or substantially all of such Person's assets) and assigns; provided that, if restricted by this Agreement, only if such successors and assigns are permitted hereunder.

(g) Reference to day or days without further qualification means calendar days.

(h) References to any agreement, document or instrument means such agreement, document or instrument, together with all schedules, exhibits and annexes thereto, in each case as amended, modified, waived, supplemented, restated or replaced and in effect from time to time in accordance with the terms thereof.

(i) References to any applicable law means such applicable law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any Section or other provision of any applicable law means that provision of such applicable law from time to time in effect, including those constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision.

(j) The term "including" shall mean "including without limitation."

(k) References to "cash" "$" or "dollars" means the lawful currency of the United States of America.

Section 10.10 Amendments.

(a) This Agreement may be amended at any time and from time to time by Board Approval and the approval of each Member.

(b) Notwithstanding the foregoing, subject to the conditions to the admission or withdrawal of any Member or change in any Member's Capital Commitment set forth herein, a Member may amend this Agreement and the Member List at any time and from time to time to reflect the admission or withdrawal of any Member or the related change, if any, in any Member's Capital Commitment, as contemplated by this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement or in any other document governing the formation, management or operation of the Company, for so long as any obligation under the Loan and Security Agreement is outstanding, neither the Members nor the Company shall amend, alter or change any of Sections 2.4, 2.9, Section 3.1, Section 3.2, Section 5.3(c), 6.2(a), 6.4(b), 6.7(b), 6.11(b), 6.14(f), 8.2(b), this Section 10.10 or Article 1 of this Agreement (to the extent that the terms defined in Article 1 are used in any of the foregoing sections) (the "Special Purpose Provisions"), or any other provisions of this or any other document governing the formation, management or operation of the Company in a manner that is inconsistent with any of the Special Purpose Provisions, unless the LSA Administrative Agent consents in advance and in writing. The Special Purpose Provisions shall restrict all Subsidiaries and Alternative Investment Vehicles to the same extent such provisions restrict the Company. In the event of any conflict between any of the

Special Purpose Provisions and any other provision of this or any other document governing the formation, management or operation of the Company, a Subsidiary or an Alternative Investment Vehicle, the Special Purpose Provisions shall control. The lenders under the Loan and Security Agreement, and their respective successors or assigns, are intended third-party beneficiaries of this Agreement and may enforce the Special Purpose Provisions.

Section 10.11 Legal Counsel. The Company has engaged Schulte Roth & Zabel LLP ("Company Counsel") as legal counsel to the Company. Company Counsel has previously represented and/or concurrently represents the interests of the Company, SkyKnight and/or parties related thereto in connection with matters other than the preparation of this Agreement and may represent such Persons in the future. Each Member: (a) approves Company Counsel's representation of the Company and SkyKnight in the preparation of this Agreement; and (b) acknowledges that Company Counsel has not been engaged by any other Member to protect or represent the interests of such Member vis-à-vis the Company or the preparation of this Agreement, and that actual or potential conflicts of interest may exist among the Members in connection with the preparation of this Agreement. In addition, each Member: (i) acknowledges the possibility of a future conflict or dispute among Members or between any Member or Members and the Company or the Administrative Agent; and (ii) acknowledges the possibility that, under the laws and ethical rules governing the conduct of attorneys, Company Counsel may be precluded from representing the Company and/or SkyKnight (or any equity holder thereof) in connection with any such conflict or dispute. Nothing in this Section 10.11 shall preclude the Company from selecting different legal counsel to represent it at any time in the future and no Member shall be deemed by virtue of this Section 10.11 to have waived its right to object to any conflict of interest relating to matters other than this Agreement or the transactions contemplated herein.

Section 10.12 Execution. This Agreement may be executed in any number of counterparts and all such counterparts together shall constitute one agreement binding on all Members.

Section 10.13 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; provided that this provision shall not be construed to permit any assignment or transfer which is otherwise prohibited hereby.

Section 10.14 Severability. If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and all other applications thereof shall not in any way be affected or impaired thereby.

Section 10.15 Computation of Time. In computing any period of time under this Agreement, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday or legal holiday on which banks in New York, Delaware or Maryland are closed, in which event the period shall run until the end of the next day which is not a Saturday, Sunday or such a legal holiday. Any reference to "Business Day" shall refer to any day which is not a Saturday, Sunday or such a legal holiday. Any references to time of day shall refer to New York time.

Section 10.16 Entire Agreement. This Agreement entered into between the Company and each Member in connection with the Members' subscription of interests in the Company sets forth the entire understanding among the parties relating to the subject matter hereof, any and all prior correspondence, conversations, memoranda or other writings being merged herein and replaced and being without effect hereon. No promises, covenants or representations of any character or nature other than those expressly stated herein or in any such other agreement have been made to induce any party to enter into this Agreement.

[Remainder of page left blank]

IN WITNESS WHEREOF, the Members have caused this Limited Liability Company Agreement to be executed and delivered as of the date first set forth above.

SkyKnight Income, LLC

By: SkyKnight Capital, L.P., its managing member

By: SkyKnight Capital Management, LLC, its general partner

By: _/s/ Matthew Ebbel_____
Name: Matthew Ebbel
Title: Authorized Signatory

New Mountain Finance Corporation

By: __/s/ Robert A. Hamwee_____
Name: Robert A. Hamwee
Title: Chief Executive Officer and President

Independent Board Member

_/s/ Michael Bondar_____
Name: Michael Bondar
Address: P.O. Box 7162
New York, NY 10150

Schedule A

Member List

Dated as of: March 9, 2016

Member	**Address**	**Capital Commitment**	**Capital Contributions (since Formation)**	**Proportionate Share**
SkyKnight Income, LLC	SkyKnight Capital, L.P. 555 12th Street, Suite 2130 Oakland, CA 94607	$20,600,000	$0	20.6%
New Mountain Finance Corporation	787 Seventh Avenue, 48th Floor, New York, NY 10019	$79,400,000	$0	79.4%

Schedule B

Partial List of Company Actions Requiring Board Approval

(a) Without limiting the provisions in the Agreement requiring the Board to approve all actions by the Company, including Section 6.1(a), 6.2(b) and 6.4, for purposes of clarity, Board Approval shall be required for the Company, any Subsidiary or any Alternative Investment Vehicle that is wholly-owned or otherwise controlled by the Company to do any of the following:

(i) Take any action or decision which results in the investment of any amount (including any additional amount) in an Investment (other than an amount invested pursuant to a binding obligation previously entered into with Board Approval) or the sale, transfer or other disposition of any Investment (other than an amount sold, transferred or otherwise disposed of pursuant to a binding obligation previously entered into with Board Approval);

(ii) Make any investment or subject the Company, an Alternative Investment Vehicle or a Subsidiary to any obligation;

(iii) Modify or waive the terms of any Investment or grant any required approval or consent thereunder either (a) where such approval or consent requires a unanimous vote of lenders or (b) that, if provided by the requisite number or percentage of lenders, would result in or enable any of the following: (1) an extension of additional capital or an extension of or increase in commitments; (2) an amendment or waiver of a financial covenant (including definitions having such effect); (3) an approval of an acquisition which is expected to represent more than 10% of the earnings before interest, taxes, depreciation and amortization of the obligor or issuer; (4) an approval of a sale of assets which represents more than 10% of the earnings before interest, taxes, depreciation and amortization of the obligor or issuer; (5) the incurrence of additional senior debt by the obligor or issuer equal to or greater than 10% of the existing senior commitments or which results in leverage increasing by more than 1 times; or (6) an amendment or waiver of any payment term, including mandatory prepayments;

(iv) Enter into any transaction with a Member or an Affiliate of a Member (except as specifically permitted by this Agreement);

(v) Issue any securities, other than limited liability company membership interests in respect of Capital Contributions in accordance with the Capital Commitments;

(vi) Make short sales of assets or engage in hedging or other derivative or commodities transactions;

(vii) Enter into any Facility or derivative instrument, directly or indirectly, to leverage the Investments of the Company, any Subsidiary or any Alternative Investment Vehicle, or to pay Expenses, indemnification and/or other obligations; or modify or waive the terms thereof; or make a voluntary prepayment permitted thereunder; or repay or refinance the same;

(viii) Guarantee, or otherwise become liable for, the obligations of other Persons, including, without limitation, Portfolio Companies and Alternative Investment Vehicles;

(ix) Replace the Administrative Agent for the Company, or amend, modify or waive the terms of the Administrative Services Agreement, in each instance other than in accordance with the terms of the Administrative Services Agreement;

(x) Approve a sub-administration agreement, or amend, modify or waive the terms of a sub-administration agreement;

(xi) Engage and/or replace the independent certified public accounting firm for the Company, or amend, modify or waive the terms of such engagement;

(xii) Engage and/or replace other service providers who shall provide services to the Company or its business and negotiate, amend, modify or waive the terms of and such engagement;

(xiii) Admit a substitute or new Member or approve a transfer or pledge of an interest in the Company in accordance with Article 7, except as provided otherwise herein, including pursuant to Section 7.1(a);

(xiv) Amend, modify or waive any provision of this Agreement;

(xv) Make non-mandatory accounting determinations that affect reported results of operations, balance sheet items or changes in cash flows of the Company;

(xvi) Approve or change the valuation process or procedures to be implemented by the Administrative Agent, including the selection, engagement or termination of third-party service providers;

(xvii) Accept valuations of any assets or liabilities of the Company;

(xviii) Approve the participation by the Administrative Agent on behalf of the Company on creditors' committees and any decisions or votes by the Administrative Agent on such committees that would have an impact on, or result in a modification to, the Investment (any such decision or vote by the Administrative Agent to be at the direction of the Board);

(xix) Change the name or principal office, or open additional offices;

(xx) File for bankruptcy;

(xxi) Commence or settle any claims or litigation;

(xxii) Approve a drawdown of all or any portion of the unpaid balances of the Capital Commitments of the Members, and authorize issuance of the related Capital Call Notice to the Members;

(xxiii) Determination of reasonable reserves required by the terms of this Agreement or otherwise appropriate for the Company, including any Reserved Amounts;

(xxiv) Determination of amounts, if any, available for distribution to the Members, and authorization to proceed with any such distributions;

(xxv) Distribute Investments in kind (excluding cash and cash equivalents);

(xxvi) Take any action, vote or decision, or provide any consent, approval or waiver, in connection with any right, power, privilege or interest in or with respect to any Affiliate, Subsidiary and Alternative Investment Vehicle, including in respect of any Facility entered into by or on behalf of any Affiliate, Subsidiary and Alternative Investment Vehicle, except to the extent such action, vote, decision, consent, approval or waiver may be exercised (A) by the Administrative Agent in accordance with the terms of the Administrative Services Agreement, or (B) by an agent of the Company as contemplated by any Facility transaction documents authorized by Board Approval; and

(xxvii) Without duplication of the foregoing, take any action or decision which pursuant to any provision of this Agreement expressly requires Board Approval, including the exercise of any of the powers or actions listed in Section 2.4(b).

(b) Subject to obtaining Board Approval, the Administrative Agent, the Board and each Member may, in the name and on behalf of the Company, do all things which they deem necessary, advisable or appropriate to make investment opportunities approved by Board Approval available to the Company, to carry out and implement matters approved by Board Approval, and to administer the activities of the Company as specifically directed by the Board, including:

(i) Execute and deliver all agreements, amendments and other documents and exercise and perform all rights and obligations with respect to any Person in which the Company holds an interest, including Subsidiaries, Alternative Investment Vehicles and other investment and financing vehicles in carrying out and implementing matters specifically approved by Board Approval;

(ii) Bring to the attention of the Board such opportunities as such Member or the Administrative Agent deems appropriate for the purchase, acquisition, transfer and disposition of Investments, and, subject to specific Board Approval, execute and deliver all agreements, amendments and other documents and exercise and perform of all rights and obligations with respect thereto;

(iii) Execute and deliver all agreements, amendments and other documents and exercise and perform all rights and obligations with respect to a Facility in carrying out and implementing matters specifically approved by Board Approval, including implementing in the ordinary course of business any increases and decreases in borrowings under such Facility that do not impact the Members' Capital Commitments;

(iv) Execute and deliver other agreements, amendments and other documents and exercise and perform all rights and obligations with respect to matters specifically approved by Board Approval; and

(v) Take any and all other acts specifically delegated to such Member or the Administrative Agent, as the case may be, by this Agreement, by the Administrative Services Agent or by Board Approval.

Schedule C

Initial Capital Contributions

Initial Capital Contributions of SkyKnight Income, LLC:

Asset	Value
Cash	$0
Other Assets	$0
Total	$0

Initial Capital Contributions of New Mountain Finance Corporation:

Asset	Value
Cash	$0
Other Assets	$0
Total	$0

Schedule D

Member Capital Commitments

Member	**% of Total Capital Commitments**	**Capital Commitment**
SkyKnight Income, LLC	20.6%	$20,600,000
New Mountain Finance Corporation	79.6%	$79,400,000
Total	**100%**	$100,000,000

Exhibit 10.19

EXECUTION COPY

FORM OF

NEW MOUNTAIN FINANCE CORPORATION

$50,000,000

5.313% Senior Notes due May 15, 2021

_____

NOTE PURCHASE AGREEMENT

_____

Dated May 4, 2016

TABLE OF CONTENTS

New Mountain Finance Corporation
787 7th Avenue, 48th Floor,
New York, NY 10019

5.313% Senior Notes due May 15, 2021

May 4, 2016

To Each of the Purchasers Listed in
Schedule B Hereto:

Ladies and Gentlemen:

New Mountain Finance Corporation, a Delaware corporation (together with any successor thereto that becomes a party hereto pursuant to Section 10.2, the **"Company"**), agrees with each of the Purchasers as follows:

SECTION 1. AUTHORIZATION OF NOTES; INTEREST RATE

Section 1.1. Authorization of Notes. The Company will authorize the issue and sale of $50,000,000 aggregate principal amount of its 5.313% Senior Notes due May 15, 2021 (as amended, restated or otherwise modified from time to time pursuant to Section 17 and including any such notes issued in substitution therefor pursuant to Section 13, the **"Notes"**) . The Notes shall be substantially in the form set out in Schedule 1. Certain capitalized and other terms used in this Agreement are defined in Schedule A. References to a "Schedule" are references to a Schedule attached to this Agreement unless otherwise specified. References to a "Section" are references to a Section of this Agreement unless otherwise specified.

Section 1.2. Changes in Interest Rate (a) If at any time a Below Investment Grade Event occurs, then:

(i) as of the date of the occurrence of the Below Investment Grade Event to and until the date on which such Below Investment Grade Event is no longer continuing (as evidenced by the receipt and delivery to the holders of the Notes of any Rating necessary to cure such Below Investment Grade Event), the Notes shall bear interest at the Adjusted Interest Rate; *provided* that, such Adjusted Interest Rate shall not apply to the Notes held by holders who accepted an offer of prepayment pursuant to Section 8.10 with respect to such Notes and such Below Investment Grade Event (including, for the avoidance of doubt, for the period from the occurrence of such event to the acceptance of such offer of prepayment pursuant to Section 8.10); and

(ii) the Company shall promptly, and in any event within twenty (20) Business Days after the Section 8.10 Prepayment Offer Deadline, notify the holders of the Notes (other than the holders of the Notes who accepted an offer of prepayment pursuant to Section 8.10 with respect to such Notes and such Below Investment Grade Event) in writing, sent in the manner provided in Section 18, that a Below Investment Grade Event has occurred, which written notice shall be accompanied by evidence satisfactory to the Required Holders to such effect and confirming the interest rate to be payable in respect of the Notes in consequence thereof.

(b) If at any time a Minimum Unsecured Debt Deficiency occurs, then:

(i) as of the date of the occurrence of the Minimum Unsecured Debt Deficiency to and until the date on which such Minimum Unsecured Debt Deficiency is no longer continuing (as evidenced by the receipt and delivery to the holders of the Notes of notice in writing, in the manner provided in Section 18, that such Minimum Unsecured Debt Deficiency has been cured), the Notes shall bear interest at the Adjusted Interest Rate; *provided* that, such Adjusted Interest Rate shall not apply to the Notes held by holders who accepted an offer of prepayment pursuant to Section 8.9 with respect to such Notes and such Minimum Unsecured Debt Deficiency (including, for the avoidance of doubt, for the period from the occurrence of such event to the acceptance of such offer of prepayment pursuant to Section 8.9); and

(ii) the Company shall promptly, and in any event within twenty (20) Business Days after the Section 8.9 Prepayment Offer Deadline, notify the holders of the Notes (other than the holders of the Notes who accepted an offer of prepayment pursuant to Section 8.9 with respect to such Notes and such Minimum Unsecured Debt Deficiency) in writing, sent in the manner provided in Section 18, that a Minimum Unsecured Debt Deficiency has occurred, which written notice shall be accompanied by evidence satisfactory to the Required Holders to such effect and confirming the interest rate to be payable in respect of the Notes in consequence thereof.

(c) Each holder of a Note shall, at the Company's expense, use reasonable efforts to cooperate with any reasonable request made by the Company in connection with any rating appeal or application.

(d) The fees and expenses of any NRSRO and all other costs incurred in connection with obtaining, affirming or appealing a Rating pursuant to this Section 1.2 shall be borne by the Company.

(e) As used herein, **"Adjusted Interest Rate"** means the interest rate on the Notes shall be 6.313% per annum.

(f) As used herein, a **"Below Investment Grade Event"** shall occur if

(i) at any time the Company has obtained a Rating from only one NRSRO, the then most recent Rating from such NRSRO that is in full force and effect (not having been withdrawn) is less than Investment Grade; or

(ii) at any time the Company has obtained a Rating from two NRSROs, the then lower of the most recent Ratings from the NRSROs that are in full force and effect (not having been withdrawn) is less than Investment Grade; or

(iii) at any time the Company has obtained a Rating from three or more NRSROs, the then second lowest of the most recent Ratings from the NRSROs that is in full force and effect (not having been withdrawn) is less than Investment Grade; or

(iv) at any time the Company shall have failed to receive and deliver to the holders of the Notes a Rating from at least one NRSRO as required pursuant to Section 9.8.

(g) Following the occurrence of an Event of Default, the Notes shall bear interest at the Default Rate as stated in the Note.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule B at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois 60603, at 10:00 a.m., Chicago time, at a closing (the **"Closing"**) on May 6, 2016 or on such other Business Day there-after on or prior to May 11, 2016 as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number xxxxxxxxxxxx at U.S. Bank National Association, in Boston, MA, ABA No. xxxxxxxxx. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of any of the conditions specified in Section 4 not having been fulfilled to such Purchaser's satisfaction or such failure by the Company to tender such Notes.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing. Before and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Initial Disclosure Materials that would have been prohibited by Section 10 had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and (ii) the Company's organizational documents as then in effect.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Sutherland Asbill & Brennan LLP, counsel for the Company, covering the matters set forth in Schedule 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Schedule 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule B.

Section 4.7. Payment of Special Counsel Fees. Without limiting Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Notes.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Funding Instructions. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.11. Rating. On the date of the Closing, the Notes shall be rated "BBB+" or better by Egan-Jones.

Section 4.12. Consent of Holders of Other Indebtedness. On or prior to the date of the Closing, any consents or approvals required to be obtained from any holder or holders of any outstanding Indebtedness of the Company or its Subsidiaries and any amendments of agreements pursuant to which any Indebtedness may have been issued which shall be necessary to permit the consummation of the transactions contemplated hereby shall have been obtained (and shall be in full force and effect on the date of the Closing) and shall be satisfactory to such Purchaser and its special counsel.

Section 4.13. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser, as of the date of the Closing (or, if any such representations and warranties expressly relate to an earlier date, then as of such earlier date), that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the Notes have been duly au-thorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. (a) The Company, through its agent, Incapital LLC, has delivered to each Purchaser a copy of the documents, certificates or other writings identified in Schedule 5.3 (the **"Initial Disclosure Materials"**), relating to the transactions contemplated hereby. The Initial Disclosure Materials fairly describe, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Initial Disclosure Materials, the financial statements listed in Schedule 5.5 and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company (other than financial projections, pro forma financial information, and other forward-looking information referenced in Section 5.3(b)) on or prior to March 24, 2016 in connection with the transactions contemplated hereby and identified in Schedule 5.3 (this Agreement, the Initial Disclosure Materials and such documents, certificates or other writings, including, without limitation, valuations of Investments of the Company, and such financial statements delivered to each Purchaser (other than financial projections, pro forma financial information, and other forward-looking information referenced in Section 5.3(b)) being referred to, collectively, as the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2015, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

(b) All financial projections, pro forma financial information and other forward-looking information which has been delivered to each Purchaser by or on behalf of the Company in connection with the transactions contemplated by this Agreement are based upon good faith assumptions and, in the case of financial projections and pro forma financial information, good faith estimates, in each case, believed to be reasonable at the time made, it being recognized that (i) such financial information as it relates to future events is subject to significant uncertainty and contingencies (many of which are beyond the control of the Company) and are therefore not to be viewed as fact, and (ii) actual results during the period or periods covered by such financial information may materially differ from the results set forth therein.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) the Company's Affiliates, other than Subsidiaries, and (iii) the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of any Lien that is prohibited by this Agreement.

(c) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is subject to any legal, regulatory, contractual or other restriction (other than the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or to any other Subsidiary of the Company that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of such financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, (A) the corporate charter, by-laws or shareholders agreement of the Company or any Subsidiary or (B) any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary, in each case, except where any of the foregoing (other than clause (i)(A) above), individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes, other than any filing required under the Securities Exchange Act of 1934 or the rules or regulations promulgated thereunder on Form 8-K, Form 10-Q, or Form 10-K.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders (a) There are no actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in default under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.16), which default or violation could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) where the failure to file or pay, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of U.S. federal, state or other taxes for all fiscal periods are adequate. The U.S. federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2011.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. (a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others, except for any such conflicts that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) To the best knowledge of the Company, no product or service of the Company or any of its Subsidiaries infringes any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) To the best knowledge of the Company, there is no violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries, except for any such violations that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.12. Compliance with ERISA. Neither the Company nor any ERISA Affiliate maintains, contributes to or is obligated to maintain or contribute to, or has, at any time within the past six years, maintained, contributed to or been obligated to maintain or contribute to, any employee benefit plan which is subject to Title I or Title IV of ERISA or section 4975 of the Code. Neither the Company nor any ERISA Affiliate is, or has ever been at any time within the past six years, a "party in interest" (as defined in section 3(14) of ERISA) or a "disqualified person" (as defined in section 4975 of the Code) with respect to any Plan.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar Securities for sale to, or solicited any offer to buy the Notes or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes to repay outstanding Indebtedness of the Company and its Subsidiaries and/or for other general corporate purposes of the Company, including the acquisition and funding (either directly or through one or more wholly-owned Subsidiaries) of leveraged loans, mezzanine loans, high-yield securities, convertible securities, preferred stock, common stock, and other Portfolio Investments. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 10% of the value of the consolidated assets of the Company and the Company does not have any present intention that margin stock will constitute more than 10% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens. (a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 2016 (including descriptions of the obligors and obligees, principal amounts outstanding, any collateral therefor and any Guaranties thereof), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Indebtedness or to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Indebtedness.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as disclosed in Schedule 5.15.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury (**"OFAC"**) (an **"OFAC Listed Person"**) (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("**CISADA**") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, **"U.S. Economic Sanctions"**) (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a **"Blocked Person"**). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or Canada Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Canada Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions or Canadian Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act, any similar provisions of the Criminal Code (Canada), any U.S. Economic Sanctions, any Canadian Economic Sanctions or any other United States or Canadian law or regulation governing such activities (collectively, **"Anti-Money Laundering Laws"**) or any U.S. Economic Sanctions violations, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current

and future Anti-Money Laundering Laws and U.S. Economic Sanctions and Canadian Economic Sanctions Laws.

(d) (1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and any similar provisions of the Criminal Code (Canada) (collectively, **"Anti-Corruption Laws"**), (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any law or regulation applicable to such holder; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Corruption Laws.

(e) Neither the Company nor any Controlled Entity is (i) a Canada Blocked Person, (ii) an agent, department, or instrumentality of, or is otherwise controlled by or knowingly acting on behalf of, directly or indirectly, any such Person, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of any Canadian Economic Sanctions Laws. Neither the Company nor any Controlled Entity has been notified by a governmental authority in Canada that its name appears or has been proposed for inclusion on a list of Persons maintained by a governmental authority in Canada that engage in investment or other commercial activities in any country that is subject to Canadian Economic Sanctions Laws. Neither the Company nor any Controlled Entity knowingly engages in any dealings or transactions with any Canada Blocked Person.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. (a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim and no proceeding has been instituted asserting any claim against the Company or any of its Subsidiaries or any of their respective real properties or other assets now or formerly owned, leased or operated by any of them, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner which is contrary to any Environmental Law that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) Neither the Company nor any Subsidiary has disposed of any Hazardous Materials in a manner which is contrary to any Environmental Law that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(e) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Investment Company Act

(a) *Status as Business Development Company*. The Company has elected to be regulated as a "business development company" within the meaning of the Investment Company Act and qualifies as a RIC.

(b) *Compliance with Investment Company Act*. The business and other activities of the Company and its Subsidiaries, including the issuance of the Notes hereunder, the application of the proceeds and repayment thereof by the Company and the consummation of the transactions contemplated by this Agreement do not result in a violation or breach in any material respect of the provisions of the Investment Company Act or any rules, regulations or orders issued by the SEC thereunder, in each case that are applicable to the Company and its Subsidiaries.

(c) *Investment Policies*. The Company is in compliance in all respects with the Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a **"Source"**) to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d);or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the **"INHAM Exemption"**)) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan," "governmental plan,"** and **"separate account"** shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of a Note that is an Institutional Investor:

(a) *Quarterly Statements* - within 60 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company's Quarterly Report on Form 10-Q (the **"Form 10-Q"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that delivery within the time period specified above of copies of the Company's Form 10-Q prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) *Annual Statements* - within 105 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company's Annual Report on Form 10-K (the **"Form 10-K"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each fiscal year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Securities Exchange Act of 1934) prepared in accordance with the requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) *[Reserved]*;

(d) *Notice of Default or Event of Default* - promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *[Reserved]*;

(f) *Notices from Governmental Authority* - promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) *Resignation or Replacement of Auditors* - within ten days following the date on which the Company's auditors resign or the Company elects to change auditors, as the case may be, notification thereof, together with such supporting information as the Required Holders may request;

(h) *Requested Information* - with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of a Note; and

(i) *Other Material Developments* - with reasonable promptness, any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of a Note pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer:

(a) *Covenant Compliance* - setting forth the information from such financial statements that is required in order to establish whether the Company was in compliance with the requirements of Section 10.7 [Certain Financial Covenants], including, without limitation, any Existing Facility Additional Provision or New Facility Additional Provision, during the quarterly or annual period covered by the statements then being furnished, (including with respect to each such provision that involves mathematical calculations, the information from such financial statements that is required to perform such calculations) and detailed calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section, and the calculation of the amount, ratio or percentage then in existence. In the event that the Company or any Subsidiary has made an election to measure any financial liability using fair value (which election is being disregarded for purposes of determining compliance with this Agreement pursuant to Section 22.2) as to the period covered by any such financial statement, such Senior Financial Officer's certificate as to such period shall include a reconciliation from GAAP with respect to such election; and

(b) *Event of Default* - certifying that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Visitation. The Company shall permit the representatives of each holder of a Note that is an Institutional Investor:

(a) *No Default* - if no Default or Event of Default then exists, at the expense of such holder and upon not less than ten (10) Business Days prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* - if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section 7.4. Electronic Delivery. Financial statements, opinions of independent certified public accountants, other information and Officer's Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a) or (b) and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

(i) such financial statements satisfying the requirements of Section 7.1(a) or (b) and related Officer's Certificate satisfying the requirements of Section 7.2 are delivered to each holder of a Note by e-mail;

(ii) the Company shall have filed such Form 10-Q or Form 10-K, satisfying the requirements of Section 7.1(a) or Section 7.1(b), as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of Section 7.2 available on its home page on the internet, which is located at http://www.newmountainfinance.com as of the date of this Agreement, or shall have delivered such certificate to each holder of a Note by e-mail; or

(iii) such financial statements satisfying the requirements of Section 7.1(a) or Section 7.1(b) and related Officer's Certificate(s) satisfying the requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access;

provided however, that in the case of any of clauses (ii) or (iii), the Company shall have given each holder of a Note written notice, which may be by e-mail, included in the Officer's Certificate delivered pursuant to Section 7.2, or in accordance with Section 18, of such posting or filing in connection with each delivery, *provided further,* that upon request of any holder to receive paper copies of such forms, financial statements and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such holder.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1. Maturity. As provided therein, the entire unpaid principal balance of each Note shall be due and payable on the Maturity Date thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time, all, or from time to time any part, of the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount; *provided,* that at any time on or after February 15, 2021 the Company may, at its option, upon notice as provided below, prepay all or any part of the Notes at 100% of the principal amount so prepaid, together with, in each case, accrued interest to the prepayment date. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than ten days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to Section 17. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments made pursuant to Sections 8.8, 8.9 and 8.10 shall be applied only to the Notes of the holders who have accepted the offer of prepayment and shall be allocated among all such Notes in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.4. Maturity; Surrender, Etc. In the case of each optional prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 5 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.6. Make-Whole.

"Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by the yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities **("Reported")** having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then **"Reinvestment Yield"** means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.4 or Section 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

Section 8.7. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, (x) subject to clause (y), any payment of interest on any Note that is due on a date that is not a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; and (y) any payment of principal of or Make-Whole Amount on any Note (including principal due on the Maturity Date of such Note) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 8.8. Change in Control.

(a) *Notice of Change in Control.* The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control, give written notice of such Change in Control to each holder of Notes. Such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this Section 8.8 and shall be accompanied by the certificate described in subparagraph (g) of this Section 8.8.

(b) *[Reserved].*

(c) *Offer to Prepay Notes.* The offer to prepay Notes contemplated by subparagraphs (a) of this Section 8.8 shall be an offer to prepay, in accordance with and subject to this Section 8.8, all, but not less than all, the Notes held by each holder (in this case only, **"holder"** in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the **"Section 8.8 Proposed Prepayment Date"**). Such date shall be not less than 30 days and not more than 60 days after the date of such offer (if the Section 8.8 Proposed Prepayment Date shall not be specified in such offer, the Section 8.8 Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(d) *Acceptance/Rejection.* A holder of Notes may accept the offer to prepay made pursuant to this Section 8.8 by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.8 shall be deemed to constitute rejection of such offer by such holder.

(e) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section 8.8 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to, but excluding, the date of prepayment, but without Make-Whole Amount or other premium. The prepayment shall be made on the Section 8.8 Proposed Prepayment Date except as provided in subparagraph (f) of this Section 8.8.

(f) *[Reserved].*

(g) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this Section 8.8 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Section 8.8 Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.8; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to, but excluding, the Section 8.8 Proposed Prepayment Date; (v) that the conditions of this Section 8.8 have been fulfilled; and (vi) in reasonable detail, the nature and date of the Change in Control.

(h) *[Reserved].*

(i) All calculations contemplated in this Section 8.8 involving the capital stock of any Person shall be made with the assumption that all convertible Securities of such Person then outstanding and all convertible Securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock of such Person were exercised at such time.

Section 8.9. Prepayment on Minimum Unsecured Debt Deficiency Without Make-Whole

(a) *Notice of Minimum Unsecured Debt Deficiency*. In the event that any Minimum Unsecured Debt Deficiency shall exist, the Company may within ten Business Days after the occurrence of the Minimum Unsecured Debt Deficiency (the "**Section 8.9 Prepayment Offer Deadline**") offer to prepay all, but not less than all, of the Notes.

(b) *Offer to Prepay Notes*. The offer to prepay the Notes contemplated by paragraph (a) of this Section 8.9 shall be an offer to prepay, in accordance with and subject to this Section 8.9, the Notes held by each holder (in this case only, **"holder"** in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the **"Section 8.9 Proposed Prepayment Date"**). The Section 8.9 Proposed Prepayment Date shall be not less than 30 days and not more than 90 days after the date of such offer (if the Section 8.9 Proposed Prepayment Date shall not be specified in such offer, the Section 8.9 Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(c) *Rejection*. A holder of the Notes may accept the offer to prepay made pursuant to this Section 8.9 by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.9 shall be deemed to constitute a rejection of such offer by such holder.

(d) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section 8.9 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to, but excluding, the date of prepayment, but without any Make-Whole Amount or any other premium.

(e) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section 8.9 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying:

(i) the Section 8.9 Proposed Prepayment Date;

(ii) that such offer is made pursuant to this Section 8.9;

(iii) the principal amount of each Note offered to be prepaid;

(iv) the interest that would be due on each Note offered to be prepaid, accrued to, but excluding, the Section 8.9 Proposed Prepayment Date;

(v) that the conditions of this Section 8.9 have been fulfilled; and

(vi) in reasonable detail, the nature and amount of the Minimum Unsecured Debt Deficiency.

Section 8.10. Prepayment on Below Investment Grade Event Without Make-Whole

(a) *Notice of Below Investment Grade Event*. In the event that any Below Investment Grade Event shall exist, the Company may within ten Business Days after the occurrence of the Below Investment Grade Event (the "**Section 8.10 Prepayment Offer Deadline**") offer to prepay all, but not less than all, of the Notes.

(b) *Offer to Prepay Notes*. The offer to prepay the Notes contemplated by paragraph (a) of this Section 8.10 shall be an offer to prepay, in accordance with and subject to this Section 8.10, the Notes held by each holder (in this case only, **"holder"** in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the **"Section 8.10 Proposed Prepayment Date"**). The Section 8.10 Proposed Prepayment Date shall be not less than 30 days and not more than 90 days after the date of such offer (if the Section 8.10 Proposed Prepayment Date shall not be specified in such offer, the Section 8.10 Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(c) *Rejection*. A holder of the Notes may accept the offer to prepay made pursuant to this Section 8.10 by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.10 shall be deemed to constitute a rejection of such offer by such holder.

(d) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section 8.10 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to, but excluding, the date of prepayment, but without any Make-Whole Amount or any other premium.

(e) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this Section 8.10 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying:

(i) the Section 8.10 Proposed Prepayment Date;

(ii) that such offer is made pursuant to this Section 8.10;

(iii) the principal amount of each Note offered to be prepaid;

(iv) the interest that would be due on each Note offered to be prepaid, accrued to, but excluding, the Section 8.10 Proposed Prepayment Date;

(v) that the conditions of this Section 8.10 have been fulfilled; and

(vi) in reasonable detail, the nature of the Below Investment Grade Event.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Laws. Without limiting Section 10.4, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA PATRIOT Act and the other laws and regulations that are referred to in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Without limiting the foregoing, the Company will, and will cause its Subsidiaries to, conduct its business and other activities in compliance in all Material respects with the applicable provisions of the Investment Company Act and any applicable rules, regulations or orders issued by the SEC thereunder.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such

discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. Subject to Section 10.2, the Company will at all times preserve and keep its corporate existence in full force and effect. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be. The Company will, and will cause each of its Subsidiaries to, keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company and its Subsidiaries have devised a system of internal accounting controls sufficient to provide reasonable assurances that their respective books, records, and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

Section 9.7 Subsidiary Guarantors. The Company will cause each of its Subsidiaries (other than Financing Subsidiaries and Foreign Subsidiaries) that (i) guarantees any Indebtedness under any Material Credit Facility for which the Company is a borrower or (ii) otherwise becomes liable at any time, whether as a borrower or an additional or co-borrower or otherwise, for or in respect of any Indebtedness under any Material Credit Facility for which the Company is a guarantor to concurrently therewith:

(a) enter into an agreement in form and substance satisfactory to the Required Holders providing for the guaranty by such Subsidiary, on a joint and several basis with all other such Subsidiaries, of (i) the prompt payment in full when due of all amounts payable by the Company pursuant to the Notes (whether for principal, interest, Make-Whole Amount or otherwise) and this Agreement, including, without limitation, all indemnities, fees and expenses payable by the Company thereunder and (ii) the prompt, full and faithful performance, observance and discharge by the Company of each and every covenant, agreement, undertaking and provision required pursuant to the Notes or this Agreement to be performed, observed or discharged by it (a **"*Subsidiary Guaranty*"**); and

(b) deliver the following to each of holder of a Note:

(i) an executed counterpart of such Subsidiary Guaranty;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary containing representations and warranties on behalf of such Subsidiary to the same effect, *mutatis mutandis*, as those contained in Sections 5.1, 5.2, 5.6, and 5.7 of this Agreement (but with respect to such Subsidiary and such Subsidiary Guaranty rather than the Company);

(iii) all documents as may be reasonably requested by the Required Holders to evidence the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(iv) an opinion of counsel reasonably satisfactory to the Required Holders covering such matters relating to such Subsidiary and such Subsidiary Guaranty as the Required Holders may reasonably request.

Section 9.8. Rating Confirmation. The Company covenants and agrees that, at its sole cost and expense, it shall cause to be maintained at all times a Rating from at least one NRSRO that indicates that it will monitor the rating on an ongoing basis. No later than May 15 of each year (beginning May 15, 2017) the Company further covenants and agrees it shall provide a notice to each of the holders of the Notes sent in the manner provided in Section 18 with respect to all then current Ratings.

Section 9.9. Status of RIC and BDC. The Company shall at all times, subject to applicable grace periods set forth in the Code, maintain its status as a RIC, and as a "business development company" under the Investment Company Act.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except (i) in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate, (ii) transactions otherwise permitted under this Agreement, (iii) transactions permitted under the Goldman Facility (whether or not the Goldman Facility remains outstanding) or the Replacement Facility, (iv) transactions with Affiliates that are set forth in Schedule 10.1, or (v) or a transaction that has been (A) approved by a majority of the independent directors of the Board of Directors of the Company and (B) consented to by the Required Holders (such consent not to be unreasonably withheld or delayed).

Section 10.2. Fundamental Changes. The Company will not, nor will it permit any of the Subsidiary Guarantors to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Company will not, nor will it permit any of the Subsidiary Guarantors to, convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its assets, whether now owned or hereafter acquired.

Notwithstanding the foregoing provisions of this Section:

(a) any Subsidiary Guarantor may be merged or consolidated with or into the Company or any other Subsidiary Guarantor; *provided* that if any such transaction shall be between a Subsidiary Guarantor and a wholly owned Subsidiary Guarantor, the wholly owned Subsidiary Guarantor shall be the continuing or surviving corporation;

(b) any Subsidiary Guarantor may convey, sell, lease, transfer or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or any Subsidiary Guarantor;

(c) the Obligors may convey, sell, transfer or otherwise dispose of all or substantially all of their assets (other than to a Financing Subsidiary) so long as after giving effect to such conveyance, sale, transfer or other disposition (and any concurrent acquisitions of Portfolio Investments or payment of outstanding Indebtedness), no Default or Event of Default hereunder or as defined under the Goldman Facility or the Replacement Facility shall have occurred or be continuing;

(d) the Obligors convey, sell, transfer or otherwise dispose of all or substantially all of their assets to a Financing Subsidiary so long as after giving effect to such sale, transfer or other disposition (and any concurrent acquisitions of Portfolio Investments or payment of outstanding Indebtedness), no Default or Event of Default hereunder or as defined under the Goldman Facility or the Replacement Facility shall have occurred or be continuing and the Company delivers to the holders of the Notes a certificate of a Senior Financial Officer to such effect;

(e) the Company may merge or consolidate with any other Person so long as (i) the Company is the continuing or surviving entity in such transaction and (ii) at the time thereof and after giving effect thereto, no Default or Event of Default shall have occurred or be continuing; and

(f) the Company may merge or consolidate with any other Person, or convey, sell, lease, transfer, or otherwise dispose of all or substantially all of its assets, so long as:

(i) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, (A) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes applicable to the Company, as appropriate, and (B) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(ii) each Subsidiary Guarantor under any Subsidiary Guaranty that is outstanding at the time such transaction or each transaction in such a series of transactions occurs reaffirms its obligations under such Subsidiary Guaranty in writing at such time pursuant to documentation that is reasonably acceptable to the Required Holders; and

(iii) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

Section 10.3. Line of Business. The Company will not engage in any business if, as a result, the general nature of the business in which the Company would then be engaged would be substantially changed from the general nature of the business in which the Company is engaged on the date of this Agreement as described in the Initial Disclosure Materials, other than in accordance with its Investment Policies.

Section 10.4. Terrorism Sanctions Regulations. The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person or Canada Blocked Person), own or control a Blocked Person or Canada Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions or Canadian Economic Sanctions Laws.

Section 10.5. Liens. The Company will not to directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except Liens permitted under the Goldman Facility or the Replacement Facility.

Section 10.6. Restricted Payments. The Company will not, nor will it permit any Subsidiary Guarantor to, declare or make, or agree to declare, pay or make, directly or indirectly, any Restricted Payment, except that the Company may declare and pay a Restricted Payment if, in every such case, immediately after such transaction, (i) the Investment Company Act Asset Coverage would be achieved after deducting the amount of such Restricted Payment, (ii) such Restricted Payment would be permitted under the Goldman Facility or the Replacement Facility and (iii) no Default shall have occurred and be continuing or would result therefrom.

Section 10.7. Certain Financial Covenants.

(a) *Minimum Shareholders' Equity.* The Company will not permit Shareholders' Equity at the last day of any fiscal quarter of the Company to be less than $390,481,875 plus 25% of the net proceeds of the sale of Equity Interests by the Company and its Subsidiaries after January 1, 2016.

(b) *Asset Coverage Ratio.* The Company will not permit the Asset Coverage Ratio (i) immediately after giving effect to the sale of the Notes or (ii) as of the last Business Day of any fiscal quarter to be less than the Investment Company Act Asset Coverage.

Section 10.8. Most Favored Lender Status. (a) If the Company or any Subsidiary Guarantor (i) is as of the date of this Agreement a party to a credit facility, loan agreement or other like financial instrument under which the Company or any Subsidiary Guarantor may incur Unsecured Debt in excess of $5,000,000 (an **"Existing Credit Facility"**), or (ii) after the date of this Agreement enters into any amendment or other modification of any Existing Credit Facility (an **"Amended Credit Facility"**) or (iii) enters into any new credit facility, whether with commercial banks or other Institutional Investors pursuant to a credit agreement, note purchase agreement or other like agreement after the date of this Agreement under which the Company or any Subsidiary Guarantor may incur Unsecured Debt in excess of $5,000,000 (in any such case, a **"New Credit Facility"**), that in any such case has on the date of this Agreement, or after the date of this Agreement results in, one or more additional or more restrictive MFL Provisions (whether constituting a financial covenant or an event of default) imposed on the Company or such Subsidiary Guarantor, as applicable, than those contained in this Agreement being contained in any such Existing Credit Facility, Amended Credit Facility or New Credit Facility, as the case may be (such additional or more restrictive MFL Provision or event of default, as the case may be, together with all definitions relating thereto, in the case of an Existing Credit Facility, including as amended by an Amended Credit Facility, the **"Existing Facility Additional Provision(s)"** and in the case of a New Credit Facility, the **"New Facility Additional Provision(s)"**), then the terms of this Agreement, without any further action on the part of the Company, any Subsidiary Guarantor or any of the holders of the Notes, will unconditionally be deemed on the effective date of such Amended Credit Facility or New Credit Facility, as the case may be, or the date hereof in the case of an Existing Credit Facility to be automatically amended to include the Existing Facility Additional Provision(s) or such New Facility Additional Provision(s), as the case may be, and imposed on the same party hereunder that is subject to such provision under the Existing Credit Facility, the Amended Credit

Facility, or the New Credit Facility, as applicable, and any event of default in respect of any such additional or more restrictive MFL Provision(s) so included herein shall be deemed to be an Event of Default under Section 11(c) (after giving effect to any grace or cure provisions under such Existing Facility Additional Provision(s) or such New Facility Additional Provision(s) or event of default), subject to all applicable terms and provisions of this Agreement, including, without limitation, all rights and remedies exercisable by the holders of the Notes hereunder.

(b) If after the date of execution of any Amended Credit Facility or a New Credit Facility, as the case may be, any one or more of the Existing Facility Additional Provision(s) or the New Facility Additional Provision(s) is excluded, terminated, loosened, tightened, amended or otherwise modified under the corresponding Amended Credit Facility or New Credit Facility, as applicable, then and in such event any such Existing Facility Additional Provision(s) or New Facility Additional Provision(s) theretofore included in this Agreement pursuant to the requirements of this Section 10.8 shall then and thereupon automatically and without any further action by any Person be so excluded, terminated, loosened, tightened or otherwise amended or modified under this Section 10.8 to the same extent as the exclusion, termination, loosening, tightening of other amendment or modification thereof under the Amended Credit Facility or New Credit Facility; *provided* that if a Default or Event of Default shall have occurred and be continuing by reason of the Existing Facility Additional Provision(s) or the New Facility Additional Provision(s) at the time any such Existing Facility Additional Provision(s) or New Facility Additional Provision(s) is or are to be so excluded, terminated, loosened, tightened, amended or modified under this Section 10.8, the prior written consent thereto of the Required Holders shall be required as a condition to the exclusion, termination, loosening, tightening or other amendment or modification of any such Existing Facility Additional Provision(s) or New Facility Additional Provision(s), as the case may be; and *provided, further,* that in any and all events, the financial covenant(s) and related definitions or any event of default constituting any financial covenant and Events of Default contained in this Agreement as in effect on the date of this Agreement shall not in any event be deemed or construed to be excluded, terminated, loosened, relaxed, amended or otherwise modified by operation of the terms of this Section 10.8.

(c) The Company shall from time to time, upon request by the Required Holders, promptly execute and deliver at its expense (including, without limitation, the reasonable and documented fees and expenses of one counsel for the holders of the Notes, taken as a whole) an amendment to this Agreement in form and substance reasonably satisfactory to the Required Holders evidencing that, pursuant to this Section 10.8, this Agreement then and thereafter includes, excludes, amends or otherwise modifies any Existing Facility Additional Provision(s) or New Facility Additional Provision(s), as the case may be; *provided* that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment.

(d) The Company agrees that it will not, nor will it permit any Subsidiary or Affiliate to, directly or indirectly, pay or cause to be paid any consideration or remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any creditor of the Company, any co-obligor or any Subsidiary as consideration for or as an inducement to the entering into by any such creditor of any amendment, waiver or other modification to any Existing Credit Facility or New Credit Facility, as the case may be, the effect of which amendment, waiver or other modification is to exclude, terminate, loosen, tighten or otherwise amend or modify any Existing Facility Additional Provision(s) or New Facility Additional Provision(s), unless such consideration or remuneration is concurrently paid, on the same terms, ratably to the holders of all of the Notes then outstanding.

SECTION 11. EVENTS OF DEFAULT.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in (i) Section 7.1(d) and such shall continue unremedied for a period of five or more days or (ii) Section 10 or any Existing Facility Additional Provisions or New Facility Additional Provisions; or

(d) the Company or any Subsidiary Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) or in any Subsidiary Guaranty and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(d)); or

(e) (i) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made, or (ii) any representation or warranty made in writing by or on behalf of any Subsidiary Guarantor or by any officer of such Subsidiary Guarantor in any Subsidiary Guaranty or any writing furnished in connection with such Subsidiary Guaranty proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Significant Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Material Indebtedness beyond any period of grace provided with respect thereto, or (ii) the Company or any Significant Subsidiary is in default in the performance of or compliance with any term of any evidence of any Material Indebtedness or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Material Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Material Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time, other than with respect to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, and other than with respect to convertible debt that becomes due as a result of a conversion or redemption event, other than as a result of an "event of default" (as defined in the documents governing such convertible Material Indebtedness)), (x) the Company or any Significant Subsidiary has become obligated to purchase or repay Material Indebtedness before its regular maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have the right to require the Company or any Significant Subsidiary so to purchase or repay such Material Indebtedness, in each case other than a default, event, or condition that relates to a Change in Control and with respect to which Section 8.8 applies; or

(g) the Company or any Significant Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or other Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) one or more final judgments or orders for the payment of money aggregating in excess of $25,000,000, including, without limitation, any such final order enforcing a binding arbitration decision, are rendered against one or more of the Company and its Significant Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) any Subsidiary Guaranty shall cease to be in full force and effect, any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor shall contest in any manner the validity, binding nature or enforceability of any Subsidiary Guaranty, or the obligations of any Subsidiary Guarantor under any Subsidiary Guaranty are not or cease to be legal, valid, binding and enforceable in accordance with the terms of such Subsidiary Guaranty.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in Section 11(g) or (h) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note or Subsidiary Guaranty, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the holders of more than 50% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement, any Subsidiary Guaranty or any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person(s) in whose name any Note(s) shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Schedule 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section 13.3. Replacement of Notes. Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (*provided* that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Wells Fargo Bank, National Association in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in Schedule B, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, any Subsidiary Guaranty or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any Subsidiary Guaranty or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any Subsidiary Guaranty or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and

by the Notes and any Subsidiary Guaranty and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO, *provided,* that such costs and expenses under this clause (c) shall not exceed $3,500. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes) and (ii) any and all wire transfer fees that any bank deducts from any payment under such Note to such holder or otherwise charges to a holder of a Note with respect to a payment under such Note.

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, any Subsidiary Guaranty or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement, the Notes and any Subsidiary Guaranties embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver of any of Sections 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and

(b) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of (x) interest on the Notes or (y) the Make-Whole Amount, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any amendment or waiver, or (iii) amend any of Sections 8 **(**except as set forth in the second sentence of Section 8.2 and Section 17.1(c) **)**, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation.* The Company will provide each holder of a Note with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or any Subsidiary Guaranty. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 17 or any Subsidiary Guaranty to each holder of a Note promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of a Note as consideration for or as an inducement to the entering into by such holder of any waiver or amendment of any of the terms and provisions hereof or of any Subsidiary Guaranty or any Note unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of a Note even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer*. Any consent given pursuant to this Section 17 or any Subsidiary Guaranty by a holder of a Note that has transferred or has agreed to transfer its Note to the Company, any Subsidiary or any Affiliate of the Company in connection with such consent shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 17.3. Binding Effect, etc. Any amendment or waiver consented to as provided in this Section 17 or any Subsidiary Guaranty applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any holder of a Note and no delay in exercising any rights hereunder or under any Note or Subsidiary Guaranty shall operate as a waiver of any rights of any holder of such Note.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, any Subsidiary Guaranty or the Notes, or have directed the taking of any action provided herein or in any Subsidiary Guaranty or the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

Except to the extent otherwise provided in Section 7.4, all notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by an internationally recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by an internationally recognized overnight delivery service (with charges prepaid) or (d) by e-mail, *provided*, that upon request of any holder to receive paper copies of such notices or communications, the Company will promptly deliver such paper copies to such holder. Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule B, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION

For the purposes of this Section 20, **"Confidential Information"** means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, personnel under contract, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (v) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes, this Agreement or any Subsidiary Guaranty. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to

such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying this Section 20.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (other than any entity that has elected to be regulated as a "business development company" under the Investment Company Act) (a **"Substitute Purchaser"**) as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Notes then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including, without limitation, Section 9, Section 10 and the definition of "Indebtedness"), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 - *Fair Value Option,* International Accounting Standard 39 - *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

Section 22.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction, etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.7. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.7(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.7 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Shiraz Y. Kajee
Name: Shiraz Y. Kajee
Title: Chief Financial Officer and Treasurer

This Agreement is hereby accepted and agreed to as of the date hereof.

SUN LIFE & HEALTH INSURANCE COMPANY
(U.S.)

By: /s/ Ann C. King
Name: Ann C. King
Title: Assistant Vice President and Senior Counsel

By: /s/ David Belanger
Name: David Belanger
Title: Managing Director
Private Fixed Income

SUN LIFE ASSURANCE COMPANY OF CANADA

By: /s/ Ann C. King
Name: Ann C. King
Title: Assistant Vice President and Senior Counsel

By: /s/ David Belanger
Name: David Belanger
Title: Managing Director
Private Fixed Income

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Adjusted Interest Rate" is defined in Section 1.2(e).

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company. Notwithstanding anything herein to the contrary, the term "Affiliate" shall not include any Person that constitutes a Portfolio Investment.

"Agreement" means this Agreement, including all Schedules attached to this Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Amended Credit Facility" is defined in Section 10.8.

"Anti-Corruption Laws" is defined in Section 5.16(d)(1).

"Anti-Money Laundering Laws" is defined in Section 5.16(c).

"Asset Coverage Ratio" means the ratio, determined on a consolidated basis for Company and its Subsidiaries, without duplication, of (a) the value of total assets of the Company and its Subsidiaries, less all liabilities and indebtedness not represented by senior securities, to (b) the aggregate amount of senior securities representing indebtedness of Company and its Subsidiaries (including this Agreement), in each case as determined pursuant to the Investment Company Act, and any orders of the Securities and Exchange Commission issued to or with respect to Company thereunder, including any exemptive relief granted by the Securities and Exchange Commission with respect to the indebtedness of any SBIC Subsidiary.

"Below Investment Grade Event" is defined in Section 1.2(f).

"**Blocked Person**" is defined in Section 5.16(a).

"Business Day" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York are required or authorized to be closed.

"Canada Blocked Person" means (i) a "terrorist group" as defined for the purposes of Part II.1 of the Criminal Code (Canada), as amended or (ii) a Person identified in or pursuant to (x) Part II.1 of the Criminal Code (Canada), as amended or (y) regulations or orders promulgated pursuant to the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, or the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, in any case pursuant to this clause (ii) as a Person in respect of whose property or benefit a holder of Notes would be prohibited from entering into or facilitating a related financial transaction.

"Canadian Economic Sanctions Laws" means those laws, including enabling legislation, orders-in-council or other regulations administered and enforced by Canada or a political subdivision of Canada pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including Part II.1 of the Criminal Code (Canada), as amended, the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, the Export and Import Permits Act (Canada), as amended, and the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, and including all regulations promulgated under any of the foregoing, or any other similar sanctions program or action.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Cash" means any immediately available funds in Dollars or in any currency other than Dollars (measured in terms of the Dollar Equivalent thereof) which is a freely convertible currency.

"Change in Control" means (i) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than a Permitted Holder, of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding shares of capital stock, membership interest or partnership interest, as applicable, in the External Manager or (ii) the Company shall cease to be managed by the External Manager or an Affiliate thereof.

"CISADA" means the Comprehensive Iran Sanctions, Accountability and Divestment Act.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means New Mountain Finance Corporation, a Delaware corporation or any successor that becomes such in the manner prescribed in Section 10.2.

"Confidential Information" is defined in Section 20.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Controlled Entity" means (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates.

"Currency" means Dollars or any Foreign Currency.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest of the Notes then in effect or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, National Association in New York, New York as its "base" or "prime" rate.

"Disclosure Documents" is defined in Section 5.3.

"Dollar Equivalent" means, on any date of determination, with respect to an amount denominated in any Foreign Currency, the amount of Dollars that would be required to purchase such amount of such Foreign Currency on the date two Business Days prior to such date, based upon the spot selling rate at which Wells Fargo Bank, National Association offers to sell such Foreign Currency for Dollars in the London foreign exchange market at approximately 11:00 a.m., London time, for delivery two Business Days later.

"Dollars" or **"$"** refers to lawful money of the United States of America.

"Egan-Jones" means Egan-Jones Ratings Co., or any successor thereto.

"EDGAR" means the SEC's Electronic Data Gathering, Analysis and Retrieval System or any successor SEC electronic filing system for such purposes.

"Environmental Laws" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests or equivalents (however designated, including any instrument treated as equity for U.S.

federal income tax purposes) in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Existing Credit Facility" is defined in Section 10.8.

"Existing Facility Additional Provisions" is defined in Section 10.8.

"External Manager" means New Mountain Finance Advisers BDC, L.L.C., a Delaware limited liability company.

"Family Member" means, with respect to any individual, any other individual having a relationship by blood (to the second degree of consanguinity), marriage, or adoption to such individual.

"Family Trusts" means, with respect to any individual, trusts or other estate planning vehicles established for the primary benefit of such individual or Family Members of such individual and in respect of which such individual or a bona fide third party trustee serves as trustee or in a similar capacity.

"Financing Subsidiary" means an SPE Subsidiary or an SBIC Subsidiary.

"Foreign Currency" means at any time any Currency other than Dollars.

"Foreign Subsidiary" means any (a) direct or indirect Subsidiary of the Company that is organized under the laws of any jurisdiction other than the United States or its territories or possessions and that is treated as a corporation for United States federal income tax purposes, (b) direct or indirect Subsidiary of the Company which is a "controlled foreign corporation" within the meaning of the Code or (c) direct or indirect Subsidiary that is disregarded as an entity that is separate from its owner for United States federal income tax purposes and substantially all of its assets consist of the Capital Stock of one or more direct or indirect Foreign Subsidiaries.

"Form 10-K" is defined in Section 7.1(b).

"Form 10-Q" is defined in Section 7.1(a).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Goldman Facility" means that certain senior secured revolving credit facility dated as of June 4, 2014, as the same may be amended or amended and restated from time to time, by and among the Company, as borrower, Goldman Sachs Bank USA, as administrative agent, syndication agent, and lender, and the lenders from time to time party thereto.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Materials" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange protection agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1, *provided, however,* that if such Person is a nominee, then for the purposes of Sections 7, 12, 17.2 and 18 and any related definitions in this Schedule B, "holder" shall mean the beneficial owner of such Note whose name and address appears in such register.

"INHAM Exemption" is defined in Section 6.2(e).

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) the aggregate Swap Termination Value of all Swap Contracts of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Initial Disclosure Materials" is defined in Section 5.3.

"Institutional Investor" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"Investment" means, for any Person: (a) Equity Interests, bonds, notes, debentures or other securities of any other Person or any agreement to acquire any Equity Interests, bonds, notes, debentures or other securities of any other Person (and any rights or proceeds in respect of (x) any "short sale" of securities or (y) any sale of any securities at a time when such securities are not owned by such Person); (b) deposits, advances, loans or other extensions of credit made to any other Person (including purchases of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person); or (c) Hedging Agreements.

"Investment Company Act" means the Investment Company Act of 1940, and the rules and regulations promulgated thereunder and all exemptive relief, if any, obtained by the Company thereunder, as the same may be amended from time to time.

"Investment Company Act Asset Coverage" means the minimum asset coverage required to be held by the Company to comply with the Investment Company Act.

"Investment Grade" means a rating of at least "BBB-" or higher by S&P or its equivalent by any other NRSRO.

"Investment Policies" means, with respect to the Company, the investment objectives, policies, restrictions and limitations as the same may be changed, altered, expanded, amended, modified, terminated or restated from time to time.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in Section 8.6.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries (other than Financing Subsidiaries) taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries (other than Financing Subsidiaries) taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Portfolio Investments), (b) the ability of the Company to perform its obligations under this Agreement and the Notes, (c) the ability of any Subsidiary Guarantor to perform its obligations under its Subsidiary Guaranty, or (d) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guaranty.

"Material Credit Facility" means, as to the Company and its Subsidiaries,

(a) the Goldman Facility or the Replacement Facility, including any renewals, extensions, amendments, supplements, restatements, replacements or refinancing thereof; and

(b) any other agreement(s) creating or evidencing indebtedness for borrowed money entered into on or after the date of Closing by the Company or any Subsidiary (other than a Financing Subsidiary or Foreign Subsidiary), or in respect of which the Company or any Subsidiary (other than a Financing Subsidiary or Foreign Subsidiary) is an obligor or otherwise provides a guarantee or other credit support (**"Credit Facility"**), in a principal amount outstanding or available for borrowing equal to or greater than $10,000,000 (or the equivalent of such amount in the relevant currency of payment, determined as of the date of the closing of such facility based on the exchange rate of such other currency); and if no Credit Facility or Credit Facilities equal or exceed such amounts, then the largest Credit Facility shall be deemed to be a Material Credit Facility.

"Material Indebtedness" means (a) Indebtedness (other than Hedging Agreements), of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding $25,000,000 and (b) obligations in respect of one or more Hedging Agreements under which the maximum aggregate amount (giving effect to any netting agreements) that the Company and its Subsidiaries would be required to pay if such Hedging Agreement(s) were terminated at such time would exceed $25,000,000.

"Maturity Date" is defined in the first paragraph of each Note.

"MFL Provision" means any (a) covenant (whether constituting a covenant or an event of default) that requires the Company or any Subsidiary to (i) maintain any level of financial performance (including without limitation, any specified level of net worth, total assets, cash flows or net income, however expressed), (ii) maintain any relationship of any component of its capital structure to any other component thereof (including, without limitation, the relationship of indebtedness, senior indebtedness or subordinated indebtedness to total capitalization or to net worth, however expressed), (iii) maintain any measure of its ability to service its indebtedness (including, without limitation, exceeding any specified ratio of revenues, cash flow or income to interest expense, rental expense, capital expenditures and/or scheduled payments of indebtedness, however expressed) or (iv) not to exceed any maximum level of indebtedness, however expressed; or (b) threshold in any "cross-default", "cross acceleration" or "judgment" event of default.

"Minimum Unsecured Debt Deficiency" means a condition at any date when the aggregate outstanding principal amount of Unsecured Debt is less than $150,000,000*; provided* that to the extent any Unsecured Debt outstanding on the date of this Agreement has been converted into Equity Interests in the Company and such Equity Interests have not been purchased, redeemed, retired, acquired, cancelled or terminated by the Company, such "$150,000,000" shall be reduced by the amount so converted.

"NAIC" means the National Association of Insurance Commissioners or any successor thereto.

"Notes" is defined in Section 1.

"NRSRO" means a Nationally Recognized Statistical Rating Organization so designated by the SEC whose status has been confirmed by the SVO.

"Obligors" means, collectively, the Company and the Subsidiary Guarantors.

"OFAC" is defined in Section 5.16(a).

"OFAC Listed Person" is defined in Section 5.16(a).

"OFAC Sanctions Program" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Permitted Holders" means New Mountain Capital, LLC (or any Affiliate thereof), senior management and employees of New Mountain Capital, LLC and its Subsidiaries (in each case, as of the date hereof) and their Family Members and their Family Trusts.

"Permitted SBIC Guaranty" means a guarantee by the Company of Indebtedness of an SBIC Subsidiary on the SBA's then applicable form, provided that the recourse to the Company thereunder is expressly limited only to periods after the occurrence of an event or condition that is an impermissible change in the control of such SBIC Subsidiary (it being understood that, as provided in paragraph (l) of Section 11, it shall be an Event of Default hereunder if any such event or condition giving rise to such recourse occurs).

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Portfolio Investment" means (i) any Investment held by the Company or one of its Subsidiaries in their asset portfolio and (ii) any investment held by the Company or one of its Subsidiaries that is listed on the Company's consolidated Schedule of Investments included in any filing with the SEC (or, for investments made during a given quarter and before a consolidated Schedule of Investments is filed with respect to the end of such quarter, will be listed on the Company's consolidated Schedule of Investments to be filed with the SEC with respect to the end of such quarter during which the Investment is made), including, without limitation, any such Schedule of Investments filed (or to be filed) with any of the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, registration statements, or prospectuses.

"Preferred Stock" means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PTE" is defined in Section 6.2(a).

"Purchaser" or **"Purchasers"** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser's successors and assigns (so long as any such assignment complies with Section 13.2), *provided, however,* that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of

a transfer thereof pursuant to Section 13.2 shall cease to be included within the meaning of "Purchaser" of such Note for the purposes of this Agreement upon such transfer.

"QPAM Exemption" is defined in Section 6.2(d).

"Qualified Institutional Buyer" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"Rating" means the public unsecured, long-term issuer rating of the Company issued by a NRSRO or a public rating issued by a NRSRO of any Unsecured Debt of the Company, including the Notes.

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Replacement Facility" means at any time on or after the Goldman Facility is expired or terminated, the senior secured credit facility or similar secured loan agreement to which the Company is a party as borrower and pursuant to which substantially all of the Company's assets, other than investments in Subsidiaries, are pledged.

"Required Holders" means at any time on or after the Closing, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Company or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Company or any option, warrant or other right to acquire any such shares of capital stock of the Company (it being understood that none of: (w) the conversion features under convertible notes; (x) the triggering and/or settlement thereof; or (y) any cash payment made by the Company in respect of partial shares relating thereto, shall constitute a Restricted Payment hereunder).

"RIC" means a person qualifying for treatment as a "regulated investment company" under the Code.

"SBA" means the United States Small Business Administration.

"SBIC Equity Commitment" means a commitment by the Company to make one or more capital contributions to an SBIC Subsidiary.

"SBIC Subsidiary" means any direct or indirect Subsidiary (including such Subsidiary's general partner or managing entity to the extent that the only material asset of such general partner or managing entity is its equity interest in the SBIC Subsidiary) of the Company licensed as a small business investment company under the Small Business Investment Act of 1958, as amended, (or that has applied for such a license and is actively pursuing the granting thereof by appropriate proceedings promptly instituted and diligently conducted) and which is designated by the Company (as provided below) as an SBIC Subsidiary, so long as (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such Subsidiary: (i) is Guaranteed by the Company or any Subsidiary (other than a Permitted SBIC Guaranty), (ii) is recourse to or obligates the Company or any Subsidiary in any way (other than in respect of any SBIC Equity Commitment or Permitted SBIC Guaranty), or (iii) subjects any property of the Company or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than Equity Interests in any SBIC Subsidiary pledged to secure such Indebtedness, and (b) none of the Company or any Subsidiary has any obligation to maintain or preserve such Subsidiary's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Company shall be effected pursuant to a certificate of a Financial Officer delivered to the holders of the Notes, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions.

"S&P" means Standard & Poor's Ratings Group, and any successor thereto.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"Section 8.8 Proposed Prepayment Date" is defined in Section 8.8(c).

"**Section 8.9 Prepayment Offer Deadline**" is defined in Section 8.9.

"Section 8.9 Proposed Prepayment Date" is defined in Section 8.9(b).

"Section 8.10 Prepayment Offer Deadline" is defined in Section 8.10.

"Section 8.10 Proposed Prepayment Date" is defined in Section 8.10(b).

"Securities" or **"Security"** shall have the meaning specified in section 2(a)(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Shareholders' Equity" means, at any date, the amount determined on a consolidated basis, without duplication, in accordance with GAAP, of shareholders' equity or net assets, as applicable, for the Company and its Subsidiaries at such date.

"Significant Subsidiary" means any Subsidiary which is a "significant subsidiary" (within the meaning specified in Rule 1-02(w) of Regulation S-X, promulgated under the Securities Act) of the Company, excluding any Subsidiary of the Company which is (a) a nonrecourse or limited recourse subsidiary, (b) a bankruptcy remote special purpose vehicle, (c) that is not consolidated with the Company for purposes of GAAP, or (d) any Financing Subsidiary; *provided* that each Subsidiary Guarantor shall be deemed to be a "Significant Subsidiary.

"Source" is defined in Section 6.2.

"SPE Subsidiary" means a direct or indirect Subsidiary of the Company to which any Obligor sells, conveys or otherwise transfers (whether directly or indirectly) Portfolio Investments, which engages in no material activities other than in connection with the purchase or financing of such assets and other portfolio investments and which is designated by the Company (as provided below) as an SPE Subsidiary:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by any Obligor (other than Guarantees in respect of Standard Securitization Undertakings), (ii) is recourse to or obligates any Obligor in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property of any Obligor, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings or any Guaranty thereof,

(b) with which no Obligor has any material contract, agreement, arrangement or understanding other than on fair and reasonable terms no less favorable to such Obligor than those that might be obtained at the time in comparable arm's length transactions with Persons that are not Affiliates of any Obligor, other than fees payable in the ordinary course of business in connection with servicing receivables, and

(c) to which no Obligor has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Company shall be effected pursuant to a certificate of a Financial Officer delivered to the holders of the Notes, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions. Each Subsidiary of an SPE Subsidiary shall be deemed to be an SPE Subsidiary and shall comply with the foregoing requirements of this definition.

"Standard Securitization Undertakings" means, collectively, (a) customary arm's-length servicing obligations (together with any related performance guarantees), (b) obligations (together with any related performance guarantees) to refund the purchase price or grant purchase price credits

for dilutive events or misrepresentations (in each case unrelated to the collectability of the assets sold or the creditworthiness of the associated account debtors) and (c) representations, warranties, covenants and indemnities (together with any related performance guarantees) of a type that are reasonably customary in accounts receivable securitizations. Representations made at the time of transfer of an asset to an SPE Subsidiary as to the creditworthiness of the account debtor at such time and that to the transferor's knowledge, no event has occurred and is continuing that could reasonably be expected to affect the collectability of such asset or cause it not to be paid in full, and any associated repurchase obligation for breach of any such representation, shall be deemed to be Standard Securitization Undertakings.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantor" means each Subsidiary that has executed and delivered a Subsidiary Guaranty.

"Subsidiary Guaranty" is defined in Section 9.7(a).

"Substitute Purchaser" is defined in Section 21.

"SVO" means the Securities Valuation Office of the NAIC or any successor to such Office.

"Swap Contract" means (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, without limitation, any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amounts(s) determined as the mark-to-market

values(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

"Synthetic Lease" means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

"Unsecured Debt" means Indebtedness of the Company with a final maturity greater than one year from the date of determination outstanding at any time that is not secured in any manner by any Lien on assets of the Company or any of its Subsidiaries.

"USA PATRIOT Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"U.S. Economic Sanctions" is defined in Section 5.16(a).

"U.S. Government Securities" means securities that are direct obligations of, and obligations the timely payment of principal and interest on which is fully guaranteed by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America and in the form of conventional bills, bonds, and notes.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[FORM OF NOTE]

NEW MOUNTAIN FINANCE CORPORATION

5.313% SENIOR NOTE DUE MAY 15, 2021

No. [_____] **[Date]**

$[_____] PPN: 647551 A* 1

FOR VALUE RECEIVED, the undersigned, NEW MOUNTAIN FINANCE CORPORATION (herein called the **"Company"**), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars (or so much thereof as shall not have been prepaid) on May 15, 2021 (the **"Maturity Date"**), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of (a) subject to adjustment pursuant to Section 1.2 of the hereinafter defined Note Purchase Agreement, 5.313% per annum from the date hereof, payable semiannually, on the 15th day of May and November in each year, commencing with the November 15, 2016 next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Wells Fargo Bank, National Association at its offices in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of May 4, 2016 (as from time to time amended, the **"Note Purchase Agreement"**), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

SCHEDULE 1
(to Note Purchase Agreement)

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NEW MOUNTAIN FINANCE CORPORATION

By: _____

Title

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 May, 2016

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shiraz Y. Kajee, 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 May, 2016

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

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 endedMarch 31, 2016 (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: May 4, 2016

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 endedMarch 31, 2016 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Shiraz Y. Kajee, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ SHIRAZ Y. KAJEE

Name: Shiraz Y. Kajee
Date: May 4, 2016