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, 2015

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

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

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

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

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

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

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

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

Description	Shares as of May 5, 2015
Common stock, $0.01 par value	58,075,605

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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, 2015	December 31, 2014
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of $1,314,123 and $1,422,891, respectively)	$ 1,292,569	$ 1,402,210
Non-controlled/affiliated investments (cost $66,846 and $23,000, respectively)	64,846	22,461
Controlled investments (cost $40,519 and $0, respectively)	47,339	—
Total investments at fair value (cost $1,421,488 and $1,445,891, respectively)	1,404,754	1,424,671
Securities purchased under collateralized agreements to resell	30,000	30,000
Cash and cash equivalents	22,152	23,445
Interest and dividend receivable	14,489	11,744
Deferred financing costs (net of accumulated amortization of $6,539 and $5,867, respectively)	13,390	14,052
Receivable from affiliates	631	490
Receivable from unsettled securities sold	—	8,912
Other assets	2,166	1,606
Total assets	$ 1,487,582	$ 1,514,920
Liabilities		
Holdings Credit Facility	$ 442,608	$ 468,108
Convertible Notes	115,000	115,000
NMFC Credit Facility	68,800	50,000
SBA-guaranteed debentures	37,500	37,500
Management fee payable	5,086	5,144
Incentive fee payable	4,878	4,803
Interest payable	2,707	1,352
Deferred tax liability	994	493
Capital gains incentive fee payable	481	—
Payable to affiliates	241	822
Payable for unsettled securities purchased	—	26,460
Other liabilities	2,788	3,068
Total liabilities	681,083	712,750
Commitments and contingencies (see Note 9)		
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 shares authorized, none issued	—	—
Common stock, par value $0.01 per share, 100,000,000 shares authorized, and 58,075,605 and 57,997,890 shares issued and outstanding, respectively	581	580
Paid in capital in excess of par	818,262	817,129
Accumulated undistributed net investment income	1,873	2,530
Accumulated undistributed net realized gains on investments	13,998	14,131
Net unrealized (depreciation) appreciation of investments (net of provision for taxes of $994 and $493, respectively)	(28,215)	(32,200)
Total net assets	$ 806,499	$ 802,170
Total liabilities and net assets	$ 1,487,582	$ 1,514,920
Number of shares outstanding	58,075,605	57,997,890
Net asset value per share	$ 13.89	$ 13.83

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, 2015	March 31, 2014
Investment income		
From non-controlled/non-affiliated investments:		
Interest income	$ 31,854	$ —
Dividend income	(99)	—
Other income	1,557	—
From non-controlled/affiliated investments:		
Interest income	1,043	—
Dividend income	858	—
Other income	314	—
From controlled investments:		
Interest income	450	—
Dividend income	548	—
Other income	11	—
Investment income allocated from New Mountain Finance Holdings, L.L.C.		
Interest income	—	27,668
Dividend income	—	2,089
Other income	—	682
Total investment income	36,536	30,439
Expenses		
Incentive fee	4,878	—
Capital gains incentive fee	481	—
Total incentive fees	5,359	—
Management fee	6,468	—
Interest and other financing expenses	5,477	—
Professional fees	739	—
Administrative expenses	635	—
Other general and administrative expenses	429	—
Net expenses allocated from New Mountain Finance Holdings, L.L.C.	—	14,381
Total expenses	19,107	14,381
Less: management fee waived (see Note 5)	(1,382)	—
Less: expenses waived and reimbursed (see Note 5)	(400)	—
Net expenses	17,325	14,381
Net investment income before income taxes	19,211	16,058
Income tax expense	149	—
Net investment income	19,062	16,058
Net realized (losses) gains:		
Non-controlled/non-affiliated investments	(133)	—
Investments allocated from New Mountain Finance Holdings, L.L.C.	—	2,708
Net change in unrealized (depreciation) appreciation:		
Non-controlled/non-affiliated investments	(1,462)	—
Non-controlled/affiliated investments	(872)	—
Controlled investments	6,820	—
Investments allocated from New Mountain Finance Holdings, L.L.C.	—	4,682
Provision for taxes	(501)	—
Net increase in net assets resulting from operations	22,914	23,448
Basic earnings per share	$ 0.40	$ 0.50
Weighted average shares of common stock outstanding—basic (see Note 11)	57,998,754	47,066,216
Diluted earnings per share	$ 0.37	$ 0.50
Weighted average shares of common stock outstanding—diluted (see Note 11)	65,217,837	47,066,216
Dividends declared and paid per share	$ 0.34	$ 0.34

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

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New Mountain Finance Corporation

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

	Three months ended	
	March 31, 2015	March 31, 2014
Increase (decrease) in net assets resulting from operations:		
Net investment income	$ 19,062	$ —
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	—	16,058
Net realized losses on investments	(133)	—
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	—	2,708
Net change in unrealized appreciation (depreciation) of investments	4,486	—
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	—	4,682
Provision for taxes	(501)	—
Net increase in net assets resulting from operations	22,914	23,448
Capital transactions		
Value of shares issued for exchanged units	—	38,840

Dividends declared to stockholders from net investment income	(19,719)	(16,058)
Dividends declared to stockholders from net realized gains	—	(227)
Reinvestment of dividends	1,134	1,038
Total net (decrease) increase in net assets resulting from capital transactions	(18,585)	23,593
Net increase in net assets	4,329	47,041
Net assets at the beginning of the period	802,170	650,107
Net assets at the end of the period	$ 806,499	$ 697,148

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

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New Mountain Finance Corporation

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

	Three months ended	
	March 31, 2015	**March 31, 2014**
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 22,914	$ 23,448
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	—	(16,058)
Net realized losses on investments	133	—
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	—	(2,708)
Net change in unrealized (appreciation) depreciation of investments	(4,486)	—
Net change in unrealized (appreciation) depreciation of investments allocated from New Mountain Finance Holdings, L.L.C.	—	(4,682)
Amortization of purchase discount	(596)	—
Amortization of deferred financing costs	672	—
Non-cash investment income	(1,178)	—
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(67,236)	—
Proceeds from sales and paydowns of investments	93,280	—
Cash paid on drawn revolvers	(190)	—
Cash repayments on drawn revolvers	190	—
Interest and dividend receivable	(2,745)	—
Receivable from affiliates	(141)	—
Receivable from unsettled securities sold	8,912	—
Other assets	(560)	—
Distributions from New Mountain Finance Holdings, L.L.C.	—	15,247
Increase (decrease) in operating liabilities:		
Management fee payable	(58)	—
Incentive fee payable	75	—
Interest payable	1,355	—
Deferred tax liability	501	—
Capital gains incentive fee payable	481	—
Payable to affiliates	(581)	—
Payable for unsettled securities purchased	(26,460)	—
Other liabilities	(11)	—
Net cash flows provided by (used in) operating activities	24,271	15,247
Cash flows from financing activities		
Dividends paid	(18,585)	(15,247)
Offering costs paid	(20)	—
Proceeds from Holdings Credit Facility	49,100	—
Repayment of Holdings Credit Facility	(74,600)	—
Proceeds from NMFC Credit Facility	51,300	—
Repayment of NMFC Credit Facility	(32,500)	—
Deferred financing costs paid	(259)	—
Net cash flows (used in) provided by financing activities	(25,564)	(15,247)
Net (decrease) increase in cash and cash equivalents	(1,293)	—
Cash and cash equivalents at the beginning of the period	23,445	—
Cash and cash equivalents at the end of the period	$ 22,152	$ —
Supplemental disclosure of cash flow information		
Cash interest paid	$ 3,308	$ —
Income taxes paid	3	—
Non-cash operating activities:		
Non-cash activity on investments	$ 41,275	$ —
Non-cash financing activities:		
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	$ —	$ 38,840
Value of shares issued in connection with dividend reinvestment plan	1,134	1,038
Accrual for offering costs	496	—
Accrual for deferred financing costs	126	—

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

New Mountain Finance Corporation

Consolidated Schedule of Investments
March 31, 2015
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments—Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien(2)	8.00% (Base Rate + 7.00%)	9/23/2019	$ 15,689	$ 15,608	$ 15,866	1.97%
Total Funded Debt Investments—Australia				**$ 15,689**	**$ 15,608**	**$ 15,866**	**1.97%**
Funded Debt Investments—Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 24,630	$ 24,324	$ 21,879	
	Second lien(3)	10.50% (Base Rate + 9.25%)	7/30/2020	8,204	8,319	7,288	
				32,834	32,643	29,167	3.62%
Evergreen Skills Lux S.À.R.L.**							
Education	Second lien(3)	9.25% (Base Rate + 8.25%)	4/28/2022	3,000	2,928	2,830	0.35%
Total Funded Debt Investments—Luxembourg				**$ 35,834**	**$ 35,571**	**$ 31,997**	**3.97%**
Funded Debt Investments—Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	Second lien(3)	10.13% (Base Rate + 9.13%)	2/17/2023	$ 10,000	$ 9,257	$ 9,050	1.12%
Total Funded Debt Investments—Netherlands				**$ 10,000**	**$ 9,257**	**$ 9,050**	**1.12%**
Funded Debt Investments—United Kingdom							
Air Newco LLC**							
Software	Second lien(3)	10.50% (Base Rate + 9.50%)	1/31/2023	$ 30,000	$ 29,251	$ 28,650	3.55%
Total Funded Debt Investments—United Kingdom				**$ 30,000**	**$ 29,251**	**$ 28,650**	**3.55%**
Funded Debt Investments—United States							
TIBCO Software Inc.**							
Software	First lien(2)	6.50% (Base Rate + 5.50%)	12/4/2020	$ 30,000	$ 28,563	$ 30,050	
	Subordinated(3)	11.38%	12/1/2021	15,000	14,577	15,244	
				45,000	43,140	45,294	5.62%
Deltek, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	10/10/2019	40,000	39,991	40,450	
	Second lien(3)	10.00% (Base Rate + 8.75%)	10/10/2019	1,000	990	1,011	
				41,000	40,981	41,461	5.14%
Ascend Learning, LLC							
Education	First lien(2)	6.00% (Base Rate + 5.00%)	7/31/2019	10,823	10,780	10,869	
	Second lien(3)	9.50% (Base Rate + 8.50%)	11/30/2020	29,000	28,884	28,927	
				39,823	39,664	39,796	4.94%
Kronos Incorporated							
Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	32,641	32,415	33,539	
	Second lien(3)	9.75% (Base Rate + 8.50%)	4/30/2020	5,000	4,956	5,138	
				37,641	37,371	38,677	4.80%
McGraw-Hill Global Education Holdings, LLC							
Education	First lien(2)(9)	9.75%	4/1/2021	24,500	24,366	27,195	
	First lien(2)	5.75% (Base Rate + 4.75%)	3/22/2019	9,838	9,628	9,939	
				34,338	33,994	37,134	4.60%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.75%)	11/4/2021	26,000	25,609	26,893	
	Second lien(3)	9.75% (Base Rate + 8.75%)	11/4/2021	9,250	9,307	9,568	
				35,250	34,916	36,461	4.52%
Tolt Solutions, Inc.(15)							
Business Services	First lien(2)	7.00% (Base Rate + 6.00%)	3/7/2019	18,443	18,443	17,965	
	First lien(2)	12.00% (Base Rate + 11.00%)	3/7/2019	18,800	18,800	18,344	
				37,243	37,243	36,309	4.50%
Acrisure, LLC							
Business Services	Second lien(2)	11.50% (Base Rate + 10.50%)	3/31/2020	35,175	34,859	35,602	4.41%

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Hill International, Inc.							
Business Services	First lien(2)	7.75% (Base Rate + 6.75%)	9/26/2020	$ 34,825	$ 34,500	$ 34,216	4.24%
Meritas Schools Holdings, LLC							
Education	First lien(2)	7.00% (Base Rate + 5.75%)	6/25/2019	21,603	21,441	21,711	
	Second lien(2)	10.00% (Base Rate + 9.00%)	1/23/2021	12,000	11,946	12,090	
				33,603	33,387	33,801	4.19%
TASC, Inc.							
Federal Services	First lien(2)	7.00% (Base Rate + 6.00%)	5/22/2020	30,782	30,393	31,244	
	Second lien(3)	12.00%	5/21/2021	2,000	1,961	2,120	
				32,782	32,354	33,364	4.14%
SRA International, Inc.							
Federal Services	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	31,765	31,103	31,953	3.96%
Navex Global, Inc.							
Software	First lien(4)	5.75% (Base Rate + 4.75%)	11/19/2021	10,521	10,419	10,494	
	First lien(2)	5.75% (Base Rate + 4.75%)	11/19/2021	4,442	4,399	4,431	
	Second lien(4)	9.75% (Base Rate + 8.75%)	11/18/2022	11,953	11,836	11,834	

	Second lien(3)	9.75% (Base Rate + 8.75%)	11/18/2022	5,047	4,998	4,996	
				31,963	31,652	31,755	3.94%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,762	30,991	3.84%
CompassLearning, Inc.(14)							
Education	First lien(2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,424	29,088	3.61%
Aderant North America, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	6/20/2019	24,000	23,773	24,060	
	Second lien(3)	10.00% (Base Rate + 8.75%)	6/20/2019	5,000	5,071	5,013	
				29,000	28,844	29,073	3.60%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(2)	7.75% (Base Rate + 6.50%)	11/13/2017	28,475	28,113	28,333	3.51%
Transtar Holding Company							
Distribution & Logistics	Second lien(2)	10.00% (Base Rate + 8.75%)	10/9/2019	28,300	27,922	27,805	3.45%
Pelican Products, Inc.							
Business Products	Second lien(3)	9.25% (Base Rate + 8.25%)	4/9/2021	15,500	15,528	15,423	
	Second lien(2)	9.25% (Base Rate + 8.25%)	4/9/2021	10,000	10,121	9,950	
				25,500	25,649	25,373	3.15%
YP Holdings LLC(10)							
YP LLC							
Media	First lien(2)	8.00% (Base Rate + 6.75%)	6/4/2018	24,173	23,939	24,535	3.04%
CRGT Inc.							
Federal Services	First lien(2)	7.50% (Base Rate + 6.50%)	12/19/2020	24,844	24,603	24,440	3.03%
Confie Seguros Holding II Co.							
Consumer Services	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	18,886	18,786	18,862	
	Second lien(3)	10.25% (Base Rate + 9.00%)	5/8/2019	5,571	5,647	5,564	
				24,457	24,433	24,426	3.03%
PetVet Care Centers LLC							
Consumer Services	Second lien(3)	9.75% (Base Rate + 8.75%)	6/17/2021	24,000	23,768	23,760	2.95%
Aricent Technologies							
Business Services	Second lien(2)	9.50% (Base Rate + 8.50%)	4/14/2022	20,000	19,872	20,200	
	Second lien(3)	9.50% (Base Rate + 8.50%)	4/14/2022	2,550	2,558	2,576	
				22,550	22,430	22,776	2.82%
McGraw-Hill School Education Holdings, LLC							
Education	First lien(2)	6.25% (Base Rate + 5.00%)	12/18/2019	21,725	21,547	21,814	2.70%
Weston Solutions, Inc.							
Business Services	Subordinated(4)	16.00% (11.50% + 4.50% PIK)*	7/3/2019	20,688	20,688	21,080	2.61%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(2)	7.00% (Base Rate + 5.50%)	10/6/2016	20,808	20,666	20,860	2.59%
American Pacific Corporation**							
Specialty Chemicals and Materials	First lien(2)	7.00% (Base Rate + 6.00%)	2/27/2019	19,800	19,679	19,940	2.47%
TWDiamondback Holdings Corp.(8)							
Diamondback Drugs of Delaware, L.L.C.(TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien(4)	9.75% (Base Rate + 8.75%)	11/19/2019	19,895	19,895	19,895	2.47%

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien(2)	12.25%	12/15/2018	$ 25,000	$ 25,000	$ 19,375	2.40%
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien(2)	7.50% (Base Rate + 6.25%)	7/7/2020	19,900	19,551	18,905	2.34%
First American Payment Systems, L.P.							
Business Services	Second lien(2)	10.75% (Base Rate + 9.50%)	4/12/2019	18,643	18,382	18,504	2.29%
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien(2)	9.25% (Base Rate + 8.25%)	7/23/2020	18,500	18,332	17,899	2.22%
Vertafore, Inc.							
Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/27/2017	13,855	13,851	13,980	
	Second lien(3)	9.75% (Base Rate + 8.25%)	10/27/2017	2,000	2,017	2,018	
				15,855	15,868	15,998	1.98%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien(2)	6.75% (Base Rate + 4.99%)	12/14/2016	16,778	16,261	15,855	1.97%
Edmentum, Inc. (fka Plato, Inc.)							
Education	Second lien(2)	11.25% (Base Rate + 9.75%)(7)	5/17/2019	25,000	24,728	12,500	
	Second lien(3)	11.25% (Base Rate + 9.75%)(7)	5/17/2019	6,150	6,043	3,075	
				31,150	30,771	15,575	1.93%
GSDM Holdings Corp.							
Healthcare Services	Subordinated(4)	10.00%	6/23/2020	15,000	14,865	14,782	1.83%
eResearchTechnology, Inc.							
Healthcare Services	First lien(2)	6.00% (Base Rate + 4.75%)	5/2/2018	14,059	13,690	14,059	1.74%
Vision Solutions, Inc.							
Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,969	13,930	1.73%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(2)	10.50%	1/15/2018	24,357	24,540	13,640	1.69%
Smile Brands Group Inc.							
Healthcare Services	First lien(2)	7.50% (Base Rate + 6.25%)	8/16/2019	14,283	14,126	13,033	1.62%
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated(3)	10.25%	3/1/2022	10,000	10,000	10,450	1.30%
PowerPlan Holdings, Inc.							
Software	Second lien(2)	10.75% (Base Rate + 9.75%)	2/23/2023	10,000	9,901	9,900	1.23%
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien(2)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,849	8,910	1.11%
Vitera Healthcare Solutions, LLC							
Software	First lien(2)	6.00% (Base Rate + 5.00%)	11/4/2020	1,975	1,959	1,982	
	Second lien(2)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,908	6,878	
				8,975	8,867	8,860	1.10%
McKissock, LLC							
QC McKissock Investment, LLC							
Education	First lien(2)	7.50% (Base Rate + 6.50%)	8/5/2019	4,911	4,867	4,811	
	First lien(2)	7.50% (Base Rate + 6.50%)	8/5/2019	3,171	3,142	3,106	

	First lien(2)(11)—Drawn	7.50% (Base Rate + 6.50%)	8/5/2019	576	571	564	
				8,658	8,580	8,481	1.05%
Physio-Control International, Inc.							
Healthcare Products	First lien(2)	9.88%	1/15/2019	6,651	6,651	7,100	0.88%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/21/2017	7,419	7,368	6,603	0.82%
Brock Holdings III, Inc.							
Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	7,000	6,939	6,580	0.82%
Immucor, Inc.							
Healthcare Services	Subordinated(2)(9)	11.13%	8/15/2019	5,000	4,958	5,394	0.67%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien(2)	7.25% (Base Rate + 5.50%)	12/22/2016	5,947	5,919	5,026	0.62%
Packaging Coordinators, Inc.(12)							
Healthcare Products	Second lien(3)	9.00% (Base Rate + 8.00%)	8/1/2022	5,000	4,953	4,925	0.61%
Learning Care Group (US) Inc.(17)							
Learning Care Group (US) No. 2 Inc.							
Education	First lien(2)	5.50% (Base Rate + 4.50%)	5/5/2021	4,454	4,414	4,482	0.56%

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	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
GCA Services Group, Inc.							
Business Services	Second lien(3)	9.25% (Base Rate + 8.00%)	11/1/2020	$ 4,000	$ 3,969	$ 3,984	0.49%
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated(3)	9.63%	12/1/2018	3,500	3,502	3,548	0.44%
York Risk Services Holding Corp.							
Business Services	Subordinated(3)	8.50%	10/1/2022	3,000	3,000	2,846	0.35%
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien(3)	9.25% (Base Rate + 8.25%)	3/10/2022	2,500	2,477	2,313	0.29%
Education Management II LLC**							
Education	First lien(2)	5.50% (Base Rate + 4.50%)	7/2/2020	250	236	231	
	First lien(3)	5.50% (Base Rate + 4.50%)	7/2/2020	141	133	130	
	First lien(2)	8.50% (Base Rate + 1.00% + 6.50% PIK)*	7/2/2020	416	346	340	
	First lien(3)	8.50% (Base Rate + 1.00% + 6.50% PIK)*	7/2/2020	235	195	192	
				1,042	910	893	0.11%
ATI Acquisition Company (fka Ability Acquisition, Inc.)(13)							
Education	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(7)*	6/30/2012—Past Due	1,665	1,434	—	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(7)*	6/30/2012—Past Due	103	94	—	
				1,768	1,528	—	—%
Total Funded Debt Investments—United States				**$ 1,196,937**	**$ 1,185,666**	**$ 1,161,862**	**144.06%**
Total Funded Debt Investments				**$ 1,288,460**	**$ 1,275,353**	**$ 1,247,425**	**154.67%**
Equity—United Kingdom							
Packaging Coordinators, Inc.(12)							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares(2)	—	—	19,427	$ 580	$ 1,175	0.15%
Total Shares—United Kingdom					**$ 580**	**$ 1,175**	**0.15%**
Equity—United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares(3)(20)	12.00% (10.00% + 2.00% PIK)*	—	35,900	$ 35,900	$ 35,686	4.42%
TWDiamondback Holdings Corp.(8)							
Distribution & Logistics	Preferred shares(4)	—	—	200	2,000	2,000	0.25%
Education Management Corporation**							
Education	Preferred shares(2)	—	—	3,331	200	227	
	Preferred shares(3)	—	—	1,879	113	128	
	Preferred shares(2)	—	—	9,445	100	109	
	Preferred shares(3)	—	—	5,328	56	62	
					469	526	0.07%
Ancora Acquisition LLC(13)							
Education	Preferred shares(6)	—	—	372	83	422	0.05%
Total Shares—United States					**$ 38,452**	**$ 38,634**	**4.79%**
Total Shares					**$ 39,032**	**$ 39,809**	**4.94%**
Warrants—United States							
YP Holdings LLC(10)							
YP Equity Investors LLC							
Media	Warrants(5)	—	—	5	$ —	$ 5,304	0.66%
Learning Care Group (US) Inc.(17)							
ASP LCG Holdings, Inc.							
Education	Warrants(3)	—	—	622	37	274	0.03%
Alion Science and Technology Corporation							
Federal Services	Warrants(3)	—	—	6,000	293	—	—%
Ancora Acquisition LLC(13)							
Education	Warrants(6)	—	—	20	—	—	—%
Total Warrants—United States					**$ 330**	**$ 5,578**	**0.69%**
Total Funded Investments					**$ 1,314,715**	**$ 1,292,812**	**160.30%**

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	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt Investments—United States							
TWDiamondback Holdings Corp.(8)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien(3)(11)—Undrawn	—	5/19/2015	$ 2,158	$ —	$ —	
	First lien(4)(11)—Undrawn	—	5/19/2015	605	—	—	
				2,763	—	—	—%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(3)(11)—Undrawn	—	4/6/2016	5,000	(388)	(44)	(0.01)%
McKissock, LLC							
Education	First lien(2)(11)—Undrawn	—	8/5/2019	2,304	(23)	(47)	(0.01)%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien(3)(11)—Undrawn	—	12/14/2016	1,900	(181)	(152)	(0.01)%
Total Unfunded Debt Investments				**$ 11,967**	**$ (592)**	**$ (243)**	**(0.03)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,314,123**	**$ 1,292,569**	**160.27%**
Non-Controlled/Affiliated Investments(18)							
Funded Debt Investments—United States							
Tenawa Resource Holdings LLC(16)							
Tenawa Resource Management LLC							
Energy	First lien(3)	10.50% (Base Rate + 8.00%)	5/12/2019	$ 40,000	$ 39,846	$ 39,500	4.90%
Total Funded Debt Investments—United States				**$ 40,000**	**$ 39,846**	**$ 39,500**	**4.90%**
Equity—United States							
NMFC Senior Loan Program I LLC**							
Investment in Fund	Membership interest(3)	—	—	—	$ 23,000	$ 22,846	2.83%
Tenawa Resource Holdings LLC(16)							
QID NGL LLC							
Energy	Ordinary shares(3)	—	—	4,000,000	4,000	2,500	0.31%
Total Shares—United States					**$ 27,000**	**$ 25,346**	**3.14%**
Total Non-Controlled/Affiliated Investments					**$ 66,846**	**$ 64,846**	**8.04%**
Controlled Investments(19)							
Funded Debt Investments—United States							
UniTek Global Services, Inc.							
Business Services	First lien(2)	8.50% (Base Rate + 7.50%)	1/13/2019	$ 6,786	$ 6,786	$ 6,786	
	First lien(3)	8.50% (Base Rate + 7.50%)	1/13/2019	4,060	4,060	4,060	
	First lien(3)	9.50% (Base Rate + 7.50% + 1.00% PIK)*	1/13/2019	8,782	8,782	8,782	
	Subordinated(2)	15.00% PIK*	7/13/2019	1,376	1,376	1,376	
	Subordinated(3)	15.00% PIK*	7/13/2019	824	824	824	
				21,828	21,828	21,828	2.71%
Total Funded Debt Investments—United States				**$ 21,828**	**$ 21,828**	**$ 21,828**	**2.71%**
Equity—United States							
UniTek Global Services, Inc.							
Business Services	Preferred shares(2)(21)	—	—	15,099,078	$ 12,719	$ 12,951	
	Preferred shares(3)(21)	—	—	4,172,667	3,515	3,578	
	Ordinary shares(2)	—	—	2,096,477	1,925	7,037	
	Ordinary shares(3)	—	—	579,366	532	1,945	
					18,691	25,511	3.16%
Total Shares—United States					**$ 18,691**	**$ 25,511**	**3.16%**
Total Funded Investments					**$ 40,519**	**$ 47,339**	**5.87%**

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	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
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					**$ 40,519**	**$ 47,339**	**5.87%**
Total Investments					**$ 1,421,488**	**$ 1,404,754**	**174.18%**

(1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7, *Borrowings*, for details.

(3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA and Morgan Stanley, N.A. as Lenders. See Note 7, *Borrowings*, for details.

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

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

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

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

(8) The Company holds 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.

(9) Securities are registered under the Securities Act.

(10) The Company holds investments in two related entities of YP Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC, a subsidiary of YP Holdings LLC.

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

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

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

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

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

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(16) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 5.05% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

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

(18) 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 March 31, 2015 along with transactions during the three months ended March 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 (cost)(A)	Gross Redemptions (cost)(B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2015	Interest Income	Dividend Income	Other Income
NMFC Senior Loan Program I LLC	$ 22,461	$ —	$ —	$ —	$ 385	$ 22,846	$ —	$ 858	$ 301
Tenawa Resource Holdings LLC	—	43,257	—	—	(1,257)	42,000	1,043	—	13
Total Non-Controlled/Affiliated Investments	**$ 22,461**	**$ 43,257**	**$ —**	**$ —**	**$ (872)**	**$ 64,846**	**$ 1,043**	**$ 858**	**$ 314**

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

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

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

Portfolio Company (1)	Fair Value at December 31, 2014	Gross Additions (cost)(A)	Gross Redemptions (cost)(B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2015	Interest Income	Dividend Income	Other Income
UniTek Global Services, Inc.	$ —	$ 40,519	$ —	$ —	$ 6,820	$ 47,339	$ 450	$ 548	$ 11
Total Controlled Investments	**$ —**	**$ 40,519**	**$ —**	**$ —**	**$ 6,820**	**$ 47,339**	**$ 450**	**$ 548**	**$ 11**

(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.

(20) Total shares reported assumes shares issued for the capitalization of PIK interest. Actual shares owned total 35,000.

(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.

* 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.

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Investment Type	**March 31, 2015 Percent of Total Investments at Fair Value**
First lien	45.67 %
Second lien	42.10 %
Subordinated	5.38 %
Equity and other	6.85 %
Total investments	100.00 %

Industry Type	**March 31, 2015 Percent of Total Investments at Fair Value**
Software	23.94 %
Business Services	18.47 %
Education	13.88 %
Federal Services	8.88 %
Healthcare Services	7.61 %
Distribution & Logistics	7.46 %
Energy	5.34 %
Media	4.37 %
Consumer Services	3.43 %
Business Products	1.80 %
Investment in Fund	1.63 %
Specialty Chemicals and Materials	1.42 %
Healthcare Products	0.94 %
Industrial Services	0.47 %
Healthcare Information Technology	0.36 %
Total investments	100.00 %

Interest Rate Type	**March 31, 2015 Percent of Total Investments at Fair Value**
Floating rates	85.96 %
Fixed rates	14.04 %
Total investments	100.00 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments—Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien(2)	8.00% (Base Rate + 7.00%)	9/23/2019	$ 17,689	$ 17,594	$ 17,888	2.23 %
Total Funded Debt Investments—Australia				**$ 17,689**	**$ 17,594**	**$ 17,888**	**2.23 %**
Funded Debt Investments—Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 24,630	$ 24,319	$ 22,905	
	Second lien(3)	10.50% (Base Rate + 9.25%)	7/30/2020	8,204	8,317	7,629	
				32,834	32,636	30,534	3.80 %
Evergreen Skills Lux S.À.R.L.**							
Education	Second lien(3)	9.25% (Base Rate + 8.25%)	4/28/2022	5,000	4,877	4,737	0.59 %
Total Funded Debt Investments—Luxembourg				**$ 37,834**	**$ 37,513**	**$ 35,271**	**4.39 %**
Funded Debt Investments—United States							
Ascend Learning, LLC							
Education	First lien(2)	6.00% (Base Rate + 5.00%)	7/31/2019	$ 14,888	$ 14,824	$ 14,813	
	Second lien(3)	9.50% (Base Rate + 8.50%)	11/30/2020	29,000	28,881	28,855	
				43,888	43,705	43,668	5.44 %
TIBCO Software Inc.**							
Software	First lien(2)	6.50% (Base Rate + 5.50%)	12/4/2020	30,000	28,512	29,100	
	Subordinated(3)	11.38%	12/1/2021	15,000	14,567	14,550	
				45,000	43,079	43,650	5.44 %
Global Knowledge Training LLC							
Education	Second lien(2)	12.00% (Base Rate + 8.75%)	10/21/2018	41,450	41,137	41,786	5.21 %
Deltek, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	10/10/2019	40,000	39,989	40,300	
	Second lien(3)	10.00% (Base Rate + 8.75%)	10/10/2019	1,000	990	1,008	
				41,000	40,979	41,308	5.15 %
Tenawa Resource Holdings LLC(16)							
Tenawa Resource Management LLC							
Energy	First lien(3)	10.50% (Base Rate + 8.00)%	5/12/2019	40,000	39,838	39,820	4.96 %
Kronos Incorporated							

Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	32,641	32,407	33,355	
	Second lien(3)	9.75% (Base Rate + 8.50%)	4/30/2020	5,000	4,955	5,109	
				37,641	37,362	38,464	4.80%
McGraw-Hill Global Education Holdings, LLC							
Education	First lien(2)(9)	9.75%	4/1/2021	24,500	24,362	27,195	
	First lien(2)	5.75% (Base Rate + 4.75%)	3/22/2019	9,863	9,641	9,830	
				34,363	34,003	37,025	4.62%
Tolt Solutions, Inc.(15)							
Business Services	First lien(2)	7.00% (Base Rate + 6.00%)	3/7/2019	18,537	18,538	18,075	
	First lien(2)	12.00% (Base Rate + 11.00%)	3/7/2019	18,800	18,800	18,540	
				37,337	37,338	36,615	4.56%
Acrisure, LLC							
Business Services	Second lien(2)	11.50% (Base Rate + 10.50%)	3/31/2020	35,175	34,848	35,471	4.42%

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
UniTek Global Services, Inc.							
Business Services	First lien(2)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	$ 20,596	$ 20,104	$ 14,706	
	First lien(3)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	7,772	7,552	5,550	
	First lien(2)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	6,271	6,116	4,478	
	First lien(3)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	597	580	426	
	First lien(2)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	5,213	5,083	3,722	
	First lien(3)	15.00% PIK (Base Rate + 13.50% PIK)(7)*	4/15/2018	496	482	354	
	First lien(3)(11)—Drawn	9.50% (Base Rate + 7.50% + 1.00% PIK)*	1/21/2015	3,381	3,381	3,381	
	First lien(3)(11)—Drawn	10.25% (Base Ra te + 4.00% + 5.25% PIK)*	4/15/2016	2,610	2,610	2,610	
				46,936	45,908	35,227	4.39%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.75%)	11/4/2021	26,000	25,603	25,772	
	Second lien(3)	9.75% (Base Rate + 8.75%)	11/4/2021	9,250	9,305	9,169	
				35,250	34,908	34,941	4.37%
Hill International, Inc.							
Business Services	First lien(2)	7.75% (Base Rate + 6.75%)	9/26/2020	34,913	34,574	34,215	4.27%
Meritas Schools Holdings, LLC							
Education	First lien(2)	7.00% (Base Rate + 5.75%)	6/25/2019	21,658	21,487	21,549	
	Second lien(2)	10.00% (Base Rate + 9.00%)	1/23/2021	12,000	11,943	11,820	
				33,658	33,430	33,369	4.16%
TASC, Inc.							
Federal Services	First lien(2)	6.50% (Base Rate + 5.50%)	5/22/2020	30,860	30,454	30,108	
	Second lien(3)	12.00%	5/21/2021	2,000	1,960	1,960	
				32,860	32,414	32,068	4.00%
SRA International, Inc.							
Federal Services	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	31,765	31,059	31,805	3.96%
Navex Global, Inc.							
Software	First lien(4)	5.75% (Base Rate + 4.75%)	11/19/2021	10,547	10,442	10,441	
	First lien(2)	5.75% (Base Rate + 4.75%)	11/19/2021	4,453	4,409	4,409	
	Second lien(4)	9.75% (Base Rate + 8.75%)	11/18/2022	11,953	11,834	11,775	
	Second lien(3)	9.75% (Base Rate + 8.75%)	11/18/2022	5,047	4,997	4,970	
				32,000	31,682	31,595	3.94%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,756	30,875	3.85%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(2)	7.75% (Base Rate + 6.50%)	11/13/2017	29,342	28,937	29,359	3.66%
CompassLearning, Inc.(14)							
Education	First lien(2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,391	29,184	3.64%
Aderant North America, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	6/20/2019	24,000	23,767	23,940	
	Second lien(3)	10.00% (Base Rate + 8.75%)	6/20/2019	5,000	5,070	4,988	
				29,000	28,837	28,928	3.61%
Transtar Holding Company							
Distribution & Logistics	Second lien(2)	10.00% (Base Rate + 8.75%)	10/9/2019	28,300	27,906	27,946	3.48%
Pelican Products, Inc.							
Business Products	Second lien(3)	9.25% (Base Rate + 8.25)%	4/9/2021	15,500	15,531	15,306	
	Second lien(2)	9.25% (Base Rate + 8.25%)	4/9/2021	10,000	10,123	9,875	
				25,500	25,654	25,181	3.14%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2014

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
YP Holdings LLC(10)							
YP LLC							
Media	First lien(2)	8.00% (Base Rate + 6.75%)	6/4/2018	$ 24,936	$ 24,678	$ 25,029	3.12%
CRGT Inc.							
Federal Services	First lien(2)	7.50% (Base Rate + 6.50%)	12/19/2020	25,000	24,750	24,750	3.09%
Confie Seguros Holding II Co.							
Consumer Services	Second lien(2)	10.25% (Base Rate + 9.00%)	5/8/2019	18,886	18,786	18,877	
	Second lien(3)	10.25% (Base Rate + 9.00%)	5/8/2019	5,571	5,647	5,569	
				24,457	24,433	24,446	3.05%
PetVet Care Centers LLC							
Consumer Services	Second lien(3)	9.75% (Base Rate + 8.75%)	6/17/2021	24,000	23,761	23,760	2.96%
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien(2)	12.25%	12/15/2018	25,000	25,000	23,250	2.90%
Aricent Technologies							
Business Services	Second lien(2)	9.50% (Base Rate + 8.50%)	4/14/2022	20,000	19,871	20,162	
	Second lien(3)	9.50% (Base Rate + 8.50%)	4/14/2022	2,550	2,556	2,571	
				22,550	22,427	22,733	2.83%
McGraw-Hill School Education Holdings, LLC							
Education	First lien(2)	6.25% (Base Rate + 5.00%)	12/18/2019	21,780	21,594	21,771	2.71%
Weston Solutions, Inc.							
Business Services	Subordinated(4)	16.00% (11.50% + 4.50% PIK)*	7/3/2019	20,458	20,458	20,828	2.60%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(2)	7.00% (Base Rate + 5.50)%	10/6/2016	20,862	20,697	20,732	2.58%
TWDiamondback Holdings Corp.(18)							
Diamondback Drugs of Delaware, L.L.C.(TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien(4)	9.75% (Base Rate + 8.75%)	11/19/2019	19,895	19,895	19,895	2.48%
American Pacific Corporation**							
Specialty Chemicals and Materials	First lien(2)	7.00% (Base Rate + 6.00%)	2/27/2019	19,850	19,722	19,825	2.47%
Novitex Acquisition, LLC (fka ARSloane Acquisition, LLC)							
Business Services	First lien(2)	7.50% (Base Rate + 6.25%)	7/7/2020	19,950	19,592	19,152	2.39%
eResearchTechnology, Inc.							
Healthcare Services	First lien(2)	6.00% (Base Rate + 4.75%)	5/2/2018	19,059	18,521	19,083	2.38%
First American Payment Systems, L.P.							
Business Services	Second lien(2)	10.75% (Base Rate + 9.50%)	4/12/2019	18,643	18,369	18,457	2.30%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(2)	10.50%	1/15/2018	24,357	24,555	18,390	2.29%
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien(2)	9.25% (Base Rate + 8.25%)	7/23/2020	18,500	18,326	17,814	2.22%
Vertafore, Inc.							
Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/27/2017	13,855	13,852	13,959	
	Second lien(3)	9.75% (Base Rate + 8.25%)	10/27/2017	2,000	2,017	2,015	
				15,855	15,869	15,974	1.99%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien(2)	6.75% (Base Rate + 4.99%)	12/14/2016	16,778	16,190	15,771	1.97%
Edmentum, Inc. (fka Plato, Inc.)							
Education	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	25,000	24,713	12,500	
	Second lien(3)	11.25% (Base Rate + 9.75%)	5/17/2019	6,150	6,040	3,075	
				31,150	30,753	15,575	1.94%
GSDM Holdings Corp.							
Healthcare Services	Subordinated(4)	10.00%	6/23/2020	15,000	14,860	14,642	1.83%
Smile Brands Group Inc.							
Healthcare Services	First lien(2)	7.50% (Base Rate + 6.25%)	8/16/2019	14,319	14,154	13,746	1.71%
Vision Solutions, Inc.							
Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,966	13,580	1.69%
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien(2)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,843	8,910	1.11%
Vitera Healthcare Solutions, LLC							
Software	First lien(2)	6.00% (Base Rate + 5.00%)	11/4/2020	1,980	1,964	1,970	
	Second lien(2)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,906	6,825	
				8,980	8,870	8,795	1.10%

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

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Consolidated Schedule of Investments (Continued)

December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
McKissock, LLC							
QC McKissock Investment, LLC							
Education	First lien(2)	7.50% (Base Rate + 6.50%)	8/5/2019	$ 4,923	$ 4,877	$ 4,844	
	First lien(2)	7.50% (Base Rate + 6.50%)	8/5/2019	3,178	3,149	3,127	
	First lien(2)(11)—Drawn	7.50% (Base Rate + 6.50%)	8/5/2019	576	570	567	
				8,677	8,596	8,538	1.06%
Asurion, LLC (fka Asurion Corporation)							
Business Services	Second lien(3)	8.50% (Base Rate + 7.50%)	3/3/2021	5,000	4,934	4,987	
	Second lien(2)	8.50% (Base Rate + 7.50%)	3/3/2021	3,000	2,957	2,993	
				8,000	7,891	7,980	0.99%
Physio-Control International, Inc.							
Healthcare Products	First lien(2)	9.88%	1/15/2019	6,651	6,651	7,083	0.88%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(2)	9.00% (Base Rate + 7.50%)	4/21/2017	7,445	7,387	6,626	0.83%
Brock Holdings III, Inc.							
Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	7,000	6,934	5,548	0.69%
Immucor, Inc.							
Healthcare Services	Subordinated(2)(9)	11.13%	8/15/2019	5,000	4,957	5,425	0.68%
Virtual Radiologic Corporation							

Healthcare Information Technology	First lien(2)	7.25% (Base Rate + 5.50%)	12/22/2016	5,963	5,931	4,979	0.62%
Packaging Coordinators, Inc.(12)							
Healthcare Products	Second lien(3)	9.00% (Base Rate + 8.00%)	8/1/2022	5,000	4,952	4,925	0.61%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien(2)	8.25% (Base Rate + 7.25%)	1/25/2021	5,000	4,940	4,867	0.61%
Learning Care Group (US) Inc.(17)							
Learning Care Group (US) No. 2 Inc.							
Education	First lien(2)	5.50% (Base Rate + 4.50%)	5/5/2021	4,465	4,424	4,476	0.56%
CRC Health Corporation							
Healthcare Services	Second lien(3)	9.00% (Base Rate + 8.00%)	9/28/2021	4,000	3,925	4,098	0.51%
GCA Services Group, Inc.							
Business Services	Second lien(3)	9.25% (Base Rate + 8.00%)	11/1/2020	4,000	3,968	3,955	0.49%
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated(3)	9.63%	12/1/2018	3,500	3,502	3,531	0.44%
York Risk Services Holding Corp.							
Business Services	Subordinated(3)	8.50%	10/1/2022	3,000	3,000	3,011	0.38%
Winebow Holdings, Inc. (Vinter Group, Inc., The)							
Distribution & Logistics	Second lien(3)	8.50% (Base Rate + 7.50%)	1/2/2022	3,000	2,979	2,910	0.36%
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien(3)	9.25% (Base Rate + 8.25%)	3/10/2022	2,500	2,477	2,250	0.28%
Education Management LLC**							
Education	First lien(2)	9.25% PIK (Base Rate + 8.00% PIK)*	3/30/2018	1,944	1,902	880	
	First lien(3)	9.25% PIK (Base Rate + 8.00% PIK)*	3/30/2018	1,097	1,085	496	
				3,041	2,987	1,376	0.17%
ATI Acquisition Company (fka Ability Acquisition, Inc.)(13)							
Education	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(7)*	6/30/2012—Past Due	1,665	1,434	216	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(7)*	6/30/2012—Past Due	103	94	103	
				1,768	1,528	319	0.04%
Total Funded Debt Investments—United States				**$ 1,338,642**	**$ 1,325,057**	**$ 1,291,305**	**160.98%**
Total Funded Debt Investments				**$ 1,394,165**	**$ 1,380,164**	**$ 1,344,464**	**167.60%**

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Equity—United Kingdom							
Packaging Coordinators, Inc.(12)							
PCI Pharma Holdings UK Limited**							
Healthcare Products	Ordinary shares(2)	—	—	19,427	$ 580	$ 1,193	0.15%
Total Shares—United Kingdom					**$ 580**	**$ 1,193**	**0.15%**
Equity—United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares(3)	12.00% (10.00% + 2.00% PIK)*	—	35,721	$ 35,721	$ 35,721	4.45%
Global Knowledge Training LLC							
Education	Ordinary shares(2)	—	—	2	—	8	
	Preferred shares(2)	—	—	2,423	—	9,739	
					—	9,747	1.22%
Tenawa Resource Holdings LLC(16)							
QID NGL LLC							
Energy	Ordinary shares(3)	—	—	3,000,000	3,000	2,430	0.30%
TWDiamondback Holdings Corp.(18)							
Distribution & Logistics	Preferred shares(4)	—	—	200	2,000	2,000	0.25%
Ancora Acquisition LLC(13)							
Education	Preferred shares(6)	—	—	372	83	83	0.01%
Total Shares—United States					**$ 40,804**	**$ 49,981**	**6.23%**
Total Shares					**$ 41,384**	**$ 51,174**	**6.38%**
Warrants—United States							
Storapod Holding Company, Inc.							
Consumer Services	Warrants(3)	—	—	360,129	$ 156	$ 4,142	0.51%
YP Holdings LLC(10)							
YP Equity Investors LLC							
Media	Warrants(5)	—	—	5	—	2,549	0.32%
Learning Care Group (US) Inc.(17)							
ASP LCG Holdings, Inc.							
Education	Warrants(3)	—	—	622	37	299	0.04%
UniTek Global Services, Inc.							
Business Services	Warrants(3)	—	—	1,014,451(8)	1,449	—	—%
Alion Science and Technology Corporation							
Federal Services	Warrants(3)	—	—	6,000	293	—	—%
Ancora Acquisition LLC(13)							
Education	Warrants(6)	—	—	20	—	—	—%
Total Warrants—United States					**$ 1,935**	**$ 6,990**	**0.87%**
Total Funded Investments					**$ 1,423,483**	**$ 1,402,628**	**174.85%**
Unfunded Debt Investments—United States							
TWDiamondback Holdings Corp.(18)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien(4)(11)—Undrawn	—	5/19/2015	$ 2,763	$ —	$ —	—%
UniTek Global Services, Inc.							
Business Services	First lien(3)(11)—Undrawn	—	1/21/2015	5,425	—	—	
	First lien(3)(11)—Undrawn	—	1/21/2015	2,048	—	—	
	First lien(3)(11)—Undrawn	—	1/21/2015	758	—	—	

					—	—	—%
McKissock, LLC							
Education	First lien(2)(11)— Undrawn	—	8/5/2019	2,304	(23)	(37)	—%
MailSouth, Inc. (d/b/a Mspark)							
Media	First lien(3)(11)— Undrawn	—	12/14/2015	1,900	(181)	(156)	(0.02)%

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2014
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Aspen Dental Management, Inc.							
Healthcare Services	First lien(3)(11)— Undrawn	—	4/6/2016	$ 5,000	$ (388)	$ (225)	(0.03)%
Total Unfunded Debt Investments				**$ 20,198**	**$ (592)**	**$ (418)**	**(0.05)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,422,891**	**$ 1,402,210**	**174.80%**
Non-Controlled/Affiliated Investments(19)							
Equity—United States							
NMFC Senior Loan Program I LLC**							
Investment in Fund	Membership interest(3)	—	—	—	$ 23,000	$ 22,461	2.80%
Total Non-Controlled/Affiliated Investments					**$ 23,000**	**$ 22,461**	**2.80%**
Total Investments					**$ 1,445,891**	**$ 1,424,671**	**177.60%**

(1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7, *Borrowings*, for details.

(3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA and Morgan Stanley, N.A. as Lenders. See Note 7, *Borrowings*, for details.

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

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

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

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

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

(9) Securities are registered under the Securities Act.

(10) The Company holds investments in two related entities of YP Holdings LLC. The Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC, a subsidiary of YP Holdings LLC.

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

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

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

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

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

(16) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.76% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC) and holds a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

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

(18) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.

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

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2014
(in thousands, except shares)

(19) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended, due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company.

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

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

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2014

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

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

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

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

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

March 31, 2015
(in thousands, except share data)
(unaudited)

Note 1. Formation and Business Purpose

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

On May 19, 2011, NMFC priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates) in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with NMFC's IPO and through a series of transactions, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMF Holdings is a Delaware limited liability company. Until May 8, 2014, NMF Holdings was externally managed and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for United States ("U.S.") federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings' existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes. For additional information on the Company's organizational structure prior to May 8, 2014, see "—Restructuring".

Until May 8, 2014, NMF Holdings was externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). As of May 8, 2014, the Investment Adviser serves as the external investment adviser to NMFC. New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300.0 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

Prior to December 18, 2014, New Mountain Finance SPV Funding, L.L.C. ("NMF SLF") was a Delaware limited liability company. NMF SLF was a wholly-owned subsidiary of NMF Holdings and thus a wholly-owned indirect subsidiary of the Company. NMF SLF was bankruptcy-remote and non-recourse to NMFC. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, NMF SLF merged with and into NMF Holdings on December 18, 2014. See Note 7, *Borrowings*, for details.

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

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

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

Since NMFC's IPO, and through March 31, 2015, NMFC raised approximately $374,625 in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $288,416 on behalf of AIV Holdings for exchanged units. NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC's common stock sold in the additional offerings. With the completion of the final secondary offering on February 3, 2014, NMFC owned 100.0% of the units of NMF Holdings, which became a wholly-owned subsidiary of NMFC.

Restructuring

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

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

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

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

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

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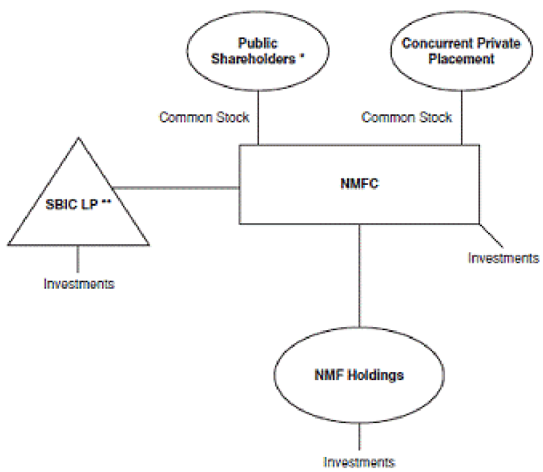
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility,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

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

Current Organization

During the three months ended March 31, 2015, the Company established a wholly-owned subsidiary, NMF QID NGL Holdings, Inc. ("NMF QID"). The Company's wholly-owned subsidiaries, NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID and NMF YP Holdings Inc. ("NMF YP"), are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). 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 Association (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, 2015.



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

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

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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 SBA eligible companies. The Company's portfolio may be concentrated in a limited number of industries. As of March 31, 2015, the Company's top five industry concentrations were software, business services, education, federal services and healthcare 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. Prior to the Restructuring, the Predecessor Operating Company consolidated its wholly-owned subsidiary, NMF SLF. NMFC and AIV Holdings did not consolidate the Predecessor Operating Company. Prior to the Restructuring, NMFC and AIV Holdings applied investment company master-feeder financial statement presentation, as described in ASC 946 to their interest in the Predecessor Operating Company. NMFC and AIV Holdings observed that it was also industry practice to follow the presentation prescribed for a master fund-feeder fund structure in ASC 946 in instances in which a master fund was owned by more than one feeder fund and that such presentation provided stockholders of NMFC and AIV Holdings with a clearer depiction of their investment in the master fund.

The Company's consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Company's portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Predecessor Operating Company's historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

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

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

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

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

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

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

b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following:

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

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

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

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

b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management;

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

d. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

Prior to the Restructuring, NMFC was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. Prior to the completion of the underwritten secondary public offering on February 3, 2014, AIV Holdings was a holding company with no direct operations of its own, and its sole asset was its ownership in the Predecessor Operating Company. NMFC's and AIV Holdings' investments in the Predecessor Operating Company were carried at

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fair value and represented the respective pro-rata interest in the net assets of the Predecessor Operating Company as of the applicable reporting date. NMFC and AIV Holdings valued their ownership interest on a quarterly basis, or more frequently if required under the 1940 Act.

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

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860,*Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2015 and December 31, 2014, the Company held one collateralized agreement to resell with a carrying value of $30,000, collateralized by a security with a fair value of $30,000 and guaranteed by the counterparty. The counterparty has the option to repurchase the collateral from the Company at the par value of the collateralized agreement within a year. The collateralized agreement earns interest at a rate of 15.0% per annum as of March 31, 2015 and December 31, 2014.

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less.

Revenue recognition

The Company's revenue recognition policies are as follows:

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

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

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

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

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, 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 are recognized as income when earned, usually when paid at the closing of the investment and are non-refundable.

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

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

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

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

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

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

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

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

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

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

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

For the quarter ended March 31, 2015, the Company recognized a total provision for income taxes of $650, for the Company's consolidated subsidiaries. The Company did not recognize a benefit or provision for taxes during the quarter ended March 31, 2014. As of March 31, 2015 and March 31, 2014, the Company had $994 and $0, 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. For the quarter ended March 31, 2015, the Company recorded current income tax expense of approximately $149. The Company did not recognize any income tax expense for the quarter ended March 31, 2014.

The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 ("ASC 740"). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no material uncertain income tax positions through December 31, 2014. The 2011, 2012, 2013 and 2014 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

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

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

The Company applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is 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 asked prices.

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

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

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

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

Use of estimates—The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Company's consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution. During the three months ended March 31, 2015, the Company adjusted an accounting estimate related to the classification of dividend income for a distribution received from one of the Company's equity investments. Based on updated tax projections received during the quarter ended March 31, 2015, the Company decreased dividend income by $99 and increased the realized gain by $99 to agree to the tax treatment on the investment.

Note 3. Investments

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

Investment Cost and Fair Value by Type

		Cost		Fair Value
First lien	$	655,688	$	641,501
Second lien		606,957		591,465
Subordinated		73,790		75,544
Equity and other		85,053		96,244
Total investments	$	1,421,488	$	1,404,754

Investment Cost and Fair Value by Industry

		Cost		Fair Value
Software	$	336,008	$	336,354
Business Services		253,473		259,460
Education		207,713		195,069
Federal Services		123,834		124,693
Healthcare Services		105,310		106,858
Distribution & Logistics		104,566		104,746
Energy		93,386		75,015
Media		55,627		61,408
Consumer Services		48,201		48,186
Business Products		25,649		25,373
Investment in Fund		23,000		22,846
Specialty Chemicals and Materials		19,679		19,940
Healthcare Products		12,184		13,200
Industrial Services		6,939		6,580
Healthcare Information Technology		5,919		5,026
Total investments	$	1,421,488	$	1,404,754

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

Investment Cost and Fair Value by Type

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

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Investment Cost and Fair Value by Industry

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

During the first quarter of 2015, the Company placed a portion of its second lien position in Edmentum, Inc. ("Edmentum") on non-accrual status due to its ongoing restructuring. As of March 31, 2015, the portion of the Edmentum second lien position placed on non-accrual status represented an aggregate cost basis of $15,386, an aggregate fair value of $7,788 and total unearned interest income of $438 for the three months then ended.

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 total unearned interest income of $0 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, the Company's original investment in EDMC had an aggregate cost of $2,987 and an aggregate fair value of $1,376. 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, 2015, the Company's investments in EDMC have an aggregate cost basis of $1,379 and an aggregate fair value of $1,419.

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 fair value of $35,227. 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, the Company's original investments in UniTek had an aggregate cost of $52,902 and an aggregate fair value of $40,137. 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, 2015, the Company's investments in UniTek have an aggregate cost basis of $40,519 and an aggregate fair value of $47,339.

As of March 31, 2015, the Company's two super priority first lien positions in ATI Acquisition Company and its related preferred shares and warrants in Ancora Acquisition LLC remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. As of March 31, 2015, the Company's investment had an aggregate cost basis of $1,611, an aggregate fair value of $422 and total unearned interest income of $83 for the three months then ended. As of December 31, 2014, the Company's investment had an aggregate cost basis of $1,611 and an aggregate fair value of $402. As of March 31, 2015 and December 31, 2014, unrealized gains (losses) include a fee that the Company would receive upon maturity of the two super priority first lien debt investments.

As of March 31, 2015, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $8,948 and $0, respectively. The Company had unfunded commitments in the form of a delayed draw or other future funding commitments of $9,550 as of March 31, 2015. The unfunded commitments on revolving credit facilities and a delayed draw are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2015.

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As of December 31, 2014, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $8,948 and $0, respectively. The Company had unfunded commitments in the form of a delayed draw or other future funding commitments of $18,475 as of December 31, 2014. The unfunded commitments on revolving credit facilities and a delayed draw are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2014.

NMFC Senior Loan Program I, LLC

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

SLP I is capitalized with $93,000 of capital commitments, $275,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is $23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of March 31, 2015, SLP I had total investments with an aggregate fair value of approximately $343,017, debt outstanding of $247,116 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 Schedule of Investments as of March 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. For the three months ended March 31, 2015, the Company earned approximately $301 in management fees related to SLP I which is included in other income. As of March 31, 2015, approximately $591 of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2015, the Company earned approximately $858 of dividend income related to SLP I, which is included in dividend income. As of March 31, 2015, approximately $953 of dividend income related to SLP I was included in interest and dividend receivable.

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

UniTek Global Services, Inc.

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

UniTek is considered a significant majority owned unconsolidated subsidiary under Regulation S-X Rule 10-01(b)(1) for the three months ended March 31, 2015. Based on the Regulation S-X 10-01(b)(1) requirements, the summarized consolidated financial information of UniTek is shown below:

	Three months ended	
	March 31, 2015 (unaudited)	March 29, 2014 (unaudited)
Net revenue	$ 66,322	$ 88,600
Gross profit	10,115	13,271
Loss before taxes	(6,540)	(19,685)
Net loss	(6,452)	(19,625)

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 appreciate in value. As a result the Company may not be able to recognize realized gains 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

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extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

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

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

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

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

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

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

	Total	Level I	Level II	Level III
First lien	$ 641,501	$ —	$ 488,843	$ 152,658
Second lien	591,465	—	488,729	102,736
Subordinated	75,544	—	37,482	38,062
Equity and other	96,244	—	526	95,718
Total investments	$ 1,404,754	$ —	$ 1,015,580	$ 389,174

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

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

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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.

At March 31, 2014, NMFC's only investment was its investment in the Predecessor Operating Company. The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2014, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Predecessor Operating Company at March 31, 2014:

	Total	First Lien	Second Lien	Subordinated	Equity and other

Fair value, December 31, 2013	$ 153,720	$ 28,411	$ 55,538	$ 5,171	$ 64,600
Total gains or losses included in earnings:					
Net realized gains on investments	1,518	1,260	—	—	258
Net change in unrealized appreciation (depreciation)	824	(517)	212	—	1,129
Purchases, including capitalized PIK and revolver fundings	48,078	30,389	17,498	—	191
Proceeds from sales and paydowns of investments	(1,192)	(570)	—	—	(622)
Fair value, March 31, 2014	$ 202,948	$ 58,973	$ 73,248	$ 5,171	$ 65,556
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:	$ 1,297	$ (44)	$ 212	$ —	$ 1,129

There were no transfers in or out of Level I, II, or III during the three months ended March 31, 2015 and March 31, 2014. Transfers into Level III occur as quotations obtained through pricing services are not deemed representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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

Company Performance, Financial Review, and Analysis: Prior to investment, as part of its due diligence process, the Company evaluates the overall performance and financial stability of the portfolio company. Post investment, the Company analyzes each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. The Company also attempts to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of its original investment thesis. This analysis is specific to each portfolio company. The Company leverages the knowledge gained from its original due diligence process,

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augmented by this subsequent monitoring, to continually refine its outlook for each of its portfolio companies and ultimately form the valuation of its investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private valuation.

Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. Significant increases or decreases in the multiple will result in an increase or decrease in enterprise value, resulting in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2015, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of investments in 16 of its portfolio companies. The Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2015, the Company used the discount ranges set forth in the table below to value investments in 17 of its portfolio companies.

				Range		
Type	**Fair Value**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 152,658	Market approach	EBITDA multiple	4.5x	16.5x	9.9x
		Income approach	Discount rate	7.9%	14.4%	10.9%
Second lien	102,736	Market approach	EBITDA multiple	5.5x	15.0x	10.6x
		Income approach	Discount rate	11.0%	15.5%	12.6%
Subordinated	38,062	Market approach	EBITDA multiple	4.5x	12.2x	9.8x
		Income approach	Discount rate	10.4%	17.6%	14.6%
Equity and other	95,718	Market approach	EBITDA multiple	3.0x	16.5x	6.5x
		Income approach	Discount rate	8.0%	19.1%	13.9%
		Black Scholes analysis	Expected life in years	11.0	11.0	11.0
			Volatility	28.5%	28.5%	28.5%
			Discount rate	2.1%	2.1%	2.1%
	$ 389,174					

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, 2015, as the facilities are continually monitored and examined by both the borrower and the lender. The carrying value of the SBA-guaranteed debentures approximate fair value as of March 31, 2015 based on a comparison of market interest rates for the Company's borrowings and similar entities. The fair value of the Holdings Credit Facility, NMFC Credit Facility and SBA-guaranteed debentures are considered Level III. The fair value of the Convertible Notes (as defined in Note 7, *Borrowings*) as of March 31, 2015 was $117,084, 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, 2015 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

Fair value risk factors—The Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Company's investments and/or on the fair value of the Company's investments. The Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Company and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries.

These events are beyond the control of the Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject to uncertainties.

Note 5. Agreements

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

On May 6, 2014, the stockholders of NMFC approved a new investment advisory and management agreement (the "Investment Management Agreement") with the Investment Adviser which became effective on May 8, 2014. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

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, 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 IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility has 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 IPO, the Investment Adviser will waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which approximated $318,638 as of March 31, 2015. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended March 31, 2015, management fees waived were approximately $1,382.

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, 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, 2015), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Under GAAP, NMFC's IPO did not step-up the cost basis of the Predecessor Operating Company's existing investments to fair market value at the IPO date. Since the total value of the Predecessor Operating Company's investments at the time of the IPO was greater than the investments' cost basis, a larger amount of amortization of purchase or original issue discount, as well as different amounts in realized gain and unrealized appreciation, may be recognized under GAAP in each period than if the step-up had occurred. This will remain until such predecessor investments are sold, repaid or mature in the future. The Company tracks the transferred (or fair market) value of each of its investments as of the time of the IPO and, for purposes of the incentive fee calculation, adjusts Pre-Incentive Fee Net Investment Income to reflect the amortization of purchase or original issue discount on the Company's investments as if each investment was purchased at the date of the IPO, or stepped up to fair market value. This is defined as "Pre-Incentive Fee Adjusted Net Investment Income". The Company also uses the transferred (or fair market) value of each of its

investments as of the time of the IPO to adjust capital gains ("Adjusted Realized Capital Gains") or losses ("Adjusted Realized Capital Losses") and unrealized capital appreciation ("Adjusted Unrealized Capital Appreciation") and unrealized capital depreciation ("Adjusted Unrealized Capital Depreciation").

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

- No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").

- 100.0% of the Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.

- 20.0% of the amount of the Company's Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved.

The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Company's Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all

Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

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

The following table summarizes the management fees and incentive fees incurred by the Company for the three months ended March 31, 2015 and March 31, 2014.

	Three months ended	
	March 31, 2015	**March 31, 2014**
Management fee	$ 6,468	$ —
Management fee allocated from NMF Holdings(2)	—	4,104
Less: management fee waiver	(1,382)	—
Total Management fee	5,086	4,104
Incentive fee, excluding accrued capital gains incentive fees	$ 4,878	$ —
Incentive fee, excluding accrued capital gains incentive fees allocated from NMF Holdings(2)	—	4,366
Total Incentive fee	4,878	4,366
Accrued capital gains incentive fees(1)	$ 481	$ —
Accrued capital gains incentive fees allocated from NMF Holdings(1)(2)	—	1,501
Total Accrued capital gains incentive fees	481	1,501

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(1) The accrued capital gains incentive fees would be paid by the Company if the Company ceased operations on March 31, 2015 or March 31, 2014, respectively, and liquidated its investments at the valuations as of the respective quarter ends. As of 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. At March 31, 2014, the Company's only investment was its investment in the Predecessor Operating Company. As of March 31, 2014, approximately $778 of capital gains incentive fees was owed by the Predecessor Operating Company under the Investment Management Agreement if the Predecessor Operating Company had ceased operations as of March 31, 2014, as cumulative net Adjusted Realized Capital Gains exceed cumulative Adjusted Unrealized Capital Depreciation.

(2) For the three months ended March 31, 2014, the Company is reflecting its proportionate share of the Predecessor Operating Company's management, incentive and capital gains incentive fees. For the three months ended March 31, 2014, the management fee at NMF Holdings was $4,176. For the three months ended March 31, 2014, the incentive fee, excluding accrued capital gains incentive fees, at NMF Holdings was $4,443. For the three months ended March 31, 2014, the accrued capital gains incentive fees at NMF Holdings were $1,527.

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, 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 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 is related to capital gains incentive fees on a hypothetical liquidation basis.

(6) Includes net realized 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.

At March 31, 2014, NMFC's only investment was its investment in the Predecessor Operating Company. The following Consolidated Statement of Operations of the Predecessor Operating Company for the three months ended March 31, 2014 is adjusted to reflect this step-up to fair market value.

	Three Months Ended March 31, 2014	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended March 31, 2014
Investment income			
Interest income(1)	$ 28,139	$ (42)	$ 28,097
Dividend income	2,095	—	2,095
Other income	684	—	684
Total investment income	30,918	(42)	30,876
Total net expenses pre-incentive fee(2)	8,663	—	8,663
Pre-Incentive Fee Net Investment Income	22,255	(42)	22,213
Incentive fee(3)	5,970	—	5,970
Post-Incentive Fee Net Investment Income	16,285	(42)	16,243
Net realized gains (losses) on investments	2,780	(138)	2,642
Net change in unrealized appreciation (depreciation) of investments	4,814	180	4,994
Net increase in members' capital resulting from operations	$ 23,879		$ 23,879

(1) Includes $784 in PIK interest from investments.

(2) Includes expense waivers and reimbursements of $774.

(3) For the three months ended March 31, 2014, the Predecessor Operating Company incurred total incentive fees of $5,970, of which $1,527 related to capital gains incentive fees on a hypothetical liquidation basis.

The Company has entered into an Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Company's consolidated financial records, prepares reports filed with the SEC, generally monitors the payment of the Company's expenses and watches the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expenses, trading expenses and management and incentive fees) had been capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2015, approximately $400 of indirect administrative expenses were included in administrative expenses of which $400 of indirect administrative expenses were waived by the Administrator.

The Company incurred the following expenses, which were waived by the Administrator or were in excess of the expense cap, for the three months ended March 31, 2015 and March 31, 2014:

	Three months ended	
	March 31, 2015	March 31, 2014
Administrative expenses	$ 400	$ —
Administrative expenses allocated from NMF Holdings	—	390
Professional fees	—	—
Professional fees allocated from NMF Holdings	—	375
Other general and administrative expenses	—	—
Other general and administrative expenses allocated from NMF Holdings	—	—
Total expense reimbursement	$ 400	$ 765

As of March 31, 2015, no expense waivers and reimbursements were receivable from an affiliate. As of March 31, 2014, $375 of the expense waivers and reimbursements were allocated from NMF Holdings and were receivable by NMF Holdings from an affiliate.

The Company, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the "New Mountain" and the "New Mountain Finance" names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Company, the Investment Adviser and the Administrator will have a right to use the "New Mountain" and "New Mountain Finance" names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Company. Other than with respect to this limited license, the Company, the Investment Adviser and the Administrator will have no legal right to the "New Mountain" or the "New Mountain Finance" names.

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

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

The Registration Rights Agreement includes limited blackout and suspension periods. In addition, the Investment Adviser may also require NMFC to file a shelf registration statement on Form N-2 for the resale of their registerable securities if NMFC is eligible to use Form N-2 at that time. Holders of registerable securities have "piggyback" registration rights, which means that these holders may include their respective shares in any future registrations of NMFC's equity securities, whether or not that registration relates to a primary offering by NMFC or a secondary offering by or on behalf of any of NMFC's stockholders. The Investment Adviser and Steven B. Klinsky (and a related entity) have priority over NMFC in any registration that is an underwritten offering.

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

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Note 6. Related Parties

The Company has entered into a number of business relationships with affiliated or related parties.

The Company has entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

The Company has entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company's chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by the Company, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expenses, trading expenses and management and incentive fees) had been capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2015, approximately $400 of indirect administrative expenses were included in administrative expenses of which $400 of indirect administrative expenses were waived by the Administrator.

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

The Company has adopted a formal code of ethics that governs the conduct of their respective officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company or for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with the Investment Adviser's allocation procedures.

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

Note 7. Borrowings

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

Immediately prior to amending the Holdings Credit Facility, NMF SPV 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.

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The maximum amount of revolving borrowings available under the Holdings Credit Facility is $495,000, which is the aggregate of the $280,000 previously available under the Predecessor Holdings Credit Facility (as defined below) and the $215,000 previously available under the SLF Credit Facility (as defined below). Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by the Wells Fargo Securities, LLC. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

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

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

The maximum amount of revolving borrowings available under the Predecessor Holdings Credit Facility was $280,000. Until December 18, 2014, NMF Holdings was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Predecessor Holdings Credit Facility was amended and restated on May 6, 2014 and as a result, it was non-recourse to the Company and was collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Predecessor Holdings Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Predecessor Holdings Credit Facility. The Predecessor Holdings Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Predecessor Holdings Credit Facility required the Company to maintain a minimum asset coverage ratio. However, the covenants were generally not tied to mark to market fluctuations in the prices of NMF Holdings' investments, but rather to the performance of the underlying portfolio companies.

The Predecessor Holdings Credit Facility bore interest at a rate of LIBOR plus 2.75% per annum and charged a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2015 and the Predecessor Holdings Credit Facility for the three months ended March 31, 2014.

	Three months ended	
	March 31, 2015	**March 31, 2014**
Interest expense	$ 2,893	$ 1,692
Non-usage fee	$ 56	$ 59
Amortization of financing costs	$ 397	$ 202
Weighted average interest rate	2.6%	2.9%
Effective interest rate	3.0%	3.4%
Average debt outstanding	$ 449,498	$ 232,842

As of March 31, 2015 and December 31, 2014, the outstanding balance on the Holdings Credit Facility was $442,608 and $468,108, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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

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

The SLF Credit Facility bore interest at a rate of LIBOR plus 2.00% per annum for first lien loans and LIBOR plus 2.75% per annum for second lien loans, respectively. A non-usage fee was paid, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the SLF Credit Facility for the three months ended March 31, 2015 and March 31, 2014.

	Three months ended	
	March 31, 2015 (1)	**March 31, 2014**
Interest expense	$ —	$ 1,201
Non-usage fee	$ —	$ —(2)
Amortization of financing costs	$ —	$ 215
Weighted average interest rate	—%	2.2%
Effective interest rate	—%	2.7%
Average debt outstanding	$ —	$ 214,993

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

(2) For the three months ended March 31, 2014, the total non-usage fee was less than $1 thousand.

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

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

The maximum amount of revolving borrowings available under the NMFC Credit Facility is $80,000, as amended on December 29, 2014. 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 will generally bear interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% (as defined in the Senior Secured Revolving Credit Agreement).

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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, 2015 and March 31, 2014.

	Three months ended	
	March 31, 2015	March 31, 2014 (1)
Interest expense	$ 212	$ —
Non-usage fee	$ 46	$ —
Amortization of financing costs	$ 61	$ —
Weighted average interest rate	2.7%	—%
Effective interest rate	4.1%	—%
Average debt outstanding	$ 31,710	$ —

(1) Not applicable, as the NMFC Credit Facility commenced on June 4, 2014.

As of March 31, 2015 and December 31, 2014, the outstanding balance on the NMFC Credit Facility was $68,800 and $50,000, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, the Company closed a private offering of $115,000 aggregate principal amount of senior unsecured convertible notes (the "Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "Indenture"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. 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, commencing on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option. The Convertible Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 62.7746 shares of the Company's common stock per $1 principal amount of Convertible Notes (7,219,083 common shares) corresponding to an initial conversion price per share of approximately $15.93, which represents a premium of 12.5% to the $14.16 per share closing price of the Company's common stock on May 28, 2014. 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 more reflected in Note 11, *Earnings Per Share*, the issuance is to be considered as 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. As of March 31, 2015, the Company was in compliance with the terms of the Indenture.

Interest expense and amortization of financing costs incurred on the Convertible Notes for the three months ended March 31, 2015 was $1,438 and $183, respectively. The effective interest rate for the three months ended March 31, 2015 was 5.7%.

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

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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, 2015, SBIC LP had regulatory capital of $42,168 and SBA-guaranteed debentures outstanding of $37,500. The SBA-guaranteed debentures incur upfront fees of 3.43%, which consists of a 1.00% commitment fee and a 2.43% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's fixed-rate SBA-guaranteed debentures as of March 31, 2015.

Issuance Date	Maturity Date	Debenture Amount		Fixed Interest Rate	SBA Annual Charge
March 25, 2015	March 1, 2025	$	37,500	2.517%	0.355%

SBIC LP's outstanding SBA-guaranteed debentures pooled on March 25, 2015 and prior to pooling bore interest at an interim floating rate of LIBOR plus 0.30%. Interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three months ended March 31, 2015 was $100 and $31, respectively. The weighted average interest rate and the effective interest rate for the three months ended March 31, 2015 was 1.1% and 1.4%, respectively.

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, 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, 2015, the Company had unfunded commitments on revolving credit facilities of $8,948, no outstanding bridge financing commitments and other future

funding commitments of $9,550. The unfunded commitments on revolving credit facilities and a delayed draw are disclosed on the Company's Consolidated Schedule of Investments. As of December 31, 2014, the Company had unfunded commitments on revolving credit facilities of $8,948, no outstanding bridge financing commitments and other future funding commitments of $18,475. The unfunded commitments on revolving credit facilities and a delayed draw are disclosed on the Company's Consolidated Schedule of Investments.

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

The Company may from time to time enter into financing commitment letters. As of March 31, 2015 and December 31, 2014, the Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

Note 10. Net Assets

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

	Common Stock		Paid in Capital in Excess of Par	Undistributed Net Investment Income	Accumulated Undistributed Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Net Assets
	Shares	Par Amount					
Balance at December 31, 2014	57,997,890	$ 580	$ 817,129	$ 2,530	$ 14,131	$ (32,200)	$ 802,170
Issuances of common stock	77,715	1	1,133	—	—	—	1,134
Dividends declared	—	—	—	(19,719)	—	—	(19,719)
Net increase (decrease) in net assets resulting from operations	—	—	—	19,062	(133)	3,985	22,914
Balance at March 31, 2015	58,075,605	$ 581	$ 818,262	$ 1,873	$ 13,998	$ (28,215)	$ 806,499

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, 2015 and March 31, 2014:

	Three months ended	
	March 31, 2015	March 31, 2014
Earnings per share—basic		
Numerator for basic earnings per share:	$ 22,914	$ 23,448
Denominator for basic weighted average share:	57,998,754	47,066,216

Basic earnings per share:	$	0.40	$	0.50
Earnings per share—diluted(1)				
Numerator for increase in net assets per share	$	22,914	$	23,448
Adjustment for interest on Convertible Notes and incentive fees, net		1,150		—
Numerator for diluted earnings per share:	$	24,064	$	23,448
Denominator for basic weighted average share		57,998,754		47,066,216
Adjustment for dilutive effect of Convertible Notes		7,219,083		—
Denominator for diluted weighted average share		65,217,837		47,066,216
Diluted earnings per share	$	0.37	$	0.50

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the three months ended March 31, 2015, there was no anti-dilution. For the three months ended March 31, 2014, due to reflecting earnings of the Predecessor Operating Company assuming 100.0% NMFC ownership of Predecessor Operating Company and assuming all of AIV Holdings' units in the Predecessor Operating Company were exchanged for public shares of NMFC during the three months then ended, the earnings per share would be $0.50.

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Note 12. Financial Highlights

The following information sets forth the financial highlights for the Company for the three months ended March 31, 2015 and March 31, 2014.

	Three months ended			
	March 31, 2015		March 31, 2014	
Per share data(1):				
Net asset value, January 1, 2015 and January 1, 2014, respectively	$	13.83	$	14.38
Net investment income		0.33		—
Net realized and unrealized gains (losses)(2)		0.07		—
Net increase (decrease) in net assets resulting from operations allocated from NMF Holdings:				
Net investment income(3)		—		0.34
Net realized and unrealized gains (losses)(2)(3)		—		0.15
Total net increase		0.40		0.49
Dividends declared to stockholders from net investment income		(0.34)		(0.34)
Dividends declared to stockholders from net realized gains		—		—
Net asset value, March 31, 2015 and March 31, 2014, respectively	$	13.89	$	14.53
Per share market value, March 31, 2015 and March 31, 2014, respectively	$	14.60	$	14.55
Total return based on market value(4)		0.00%		(1.00)%
Total return based on net asset value(5)		2.86%		3.47%
Shares outstanding at end of period		58,075,605		47,968,000
Average weighted shares outstanding for the period		57,998,754		47,066,216
Average net assets for the period	$	806,451	$	684,700
Ratio to average net assets(6):				
Net investment income		9.59%		9.48%
Total expenses, before waivers/reimbursements		9.68%		8.97%
Total expenses, net of waivers/reimbursements		8.79%		8.52%

(1) Per share data is based on weighted average shares outstanding for the respective period (except for dividends declared to stockholders which is based on actual rate per share).

(2) Includes the accretive effect of common stock issuances per share, which for the three months ended March 31, 2015 and March 31, 2014 were $0.00 and $0.01, respectively.

(3) For the three months ended March 31, 2014, per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.

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

(5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

(6) Ratio to average net assets for the three months ended March 31, 2015 and March 31, 2014, is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned. For the three months ended March 31, 2014, the Company is reflecting its proportionate share of the Predecessor Operating Company's net investment income and expenses.

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The following information sets forth the financial highlights for the Company for the three months ended March 31, 2015 and NMF Holdings for the three months ended March 31, 2014.

	NMFC Three months ended March 31, 2015		NMF Holdings Three months ended March 31, 2014	
Average debt outstanding—Holdings Credit Facility	$	449,498	$	232,842

Average debt outstanding—SLF Credit Facility	$	—	$	214,993
Average debt outstanding—Convertible Notes	$	115,000	$	—
Average debt outstanding—SBA-guaranteed debentures	$	37,500	$	—
Average debt outstanding—NMFC Credit Facility	$	31,710	$	—
Asset coverage ratio(1)		228.75 %		243.20 %
Portfolio turnover		4.79 %		8.77 %

(1) 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 May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers Topic 606—Summary and Amendments that Create Revenue from Contracts with Customers and Other Assets and Deferred Costs* ("ASU 2014-09"). ASU 2014-09 establishes a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, *Transfers and Servicing Topic 860—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU 2014-11 requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

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

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

Note 14. Subsequent Events

On April 20, 2015, Edmentum announced an agreement with the unanimous support of its first lien lenders, second lien lenders and equity sponsors to recapitalize its balance sheet and reduce its outstanding indebtedness. The recapitalization is expected to close in the second quarter of 2015.

On May 5, 2015, the Company's board of directors declared a second quarter 2015 distribution of $0.34 per share payable on June 30, 2015 to holders of record as of June 16, 2015.

On May 5, 2015, the Company entered into a Second Amended and Restated Administration Agreement with the Administrator to reflect current operating procedures.

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Deloitte.

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, 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for the three month periods ended March 31, 2015 and 2014. These interim financial statements are the responsibility of the management of New Mountain Finance Corporation.

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

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

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

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

/s/ DELOITTE & TOUCHE LLP

May 5, 2015

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this report.

Forward-Looking Statements

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

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which the Company invests;
- the ability of the Company's portfolio companies to achieve their objectives;
- the Company's ability to make investments consistent with its investment objectives, including with respect to the size, nature and terms of its investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and other affiliates of New Mountain Capital Group, L.L.C.; and
- the risk factors set forth in*Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2014.

Forward-looking statements are identified by their use of such terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or similar expressions. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2014.

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

Overview

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

On May 19, 2011, NMFC priced its initial public offering (the "IPO") of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates) in a concurrent private placement (the "Concurrent Private Placement"). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities (as defined below). In connection with NMFC's IPO and through a series of transactions, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMF Holdings is a Delaware limited liability company. Until May 8, 2014, NMF Holdings was externally managed and was regulated as a BDC under the 1940 Act. As such, NMF Holdings was obligated to comply with certain regulatory requirements. NMF Holdings was treated as a partnership for United States ("U.S.") federal income tax purposes for so long as it had at least two members. With the completion of the underwritten secondary offering on February 3, 2014, NMF Holdings' existence as a partnership for U.S. federal income tax purposes terminated and NMF Holdings became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes. For additional information on our organizational structure prior to May 8, 2014, see "—Restructuring".

Until May 8, 2014, NMF Holdings was externally managed by the Investment Adviser. As of May 8, 2014, the Investment Adviser serves as the external investment adviser to NMFC. New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management totaling more than $15.0 billion(1), which includes total assets held by the Company. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. NMF Holdings, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300.0 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

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

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

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

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

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(1) Includes amounts committed, not all of which have been drawn down and invested to-date, as of March 31, 2015, as well as amounts called and returned since inception.

Since NMFC's IPO, and through March 31, 2015, NMFC raised approximately $374.6 million in net proceeds from additional offerings of common stock and issued shares of its common stock valued at approximately $288.4 million on behalf of AIV Holdings for exchanged units. NMFC acquired from NMF Holdings units of NMF Holdings equal to the number of shares of NMFC's common stock sold in additional offerings. With the completion of the final secondary offering on February 3, 2014, NMFC owned 100.0% of the units of NMF Holdings, which became a wholly-owned subsidiary of NMFC.

Restructuring

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

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

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

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

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

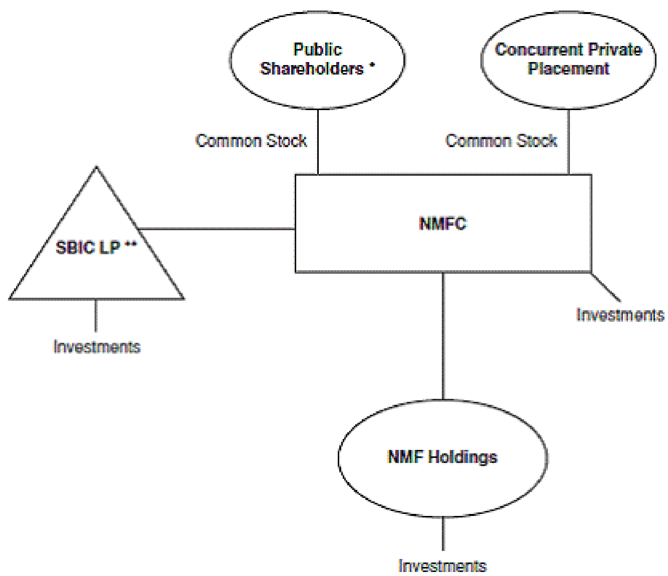
Effective May 8, 2014, NMF Holdings amended and restated its Operating Agreement such that the board of directors of NMF Holdings was dissolved and NMF Holdings remained a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for NMF Holdings' credit facility,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

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

Current Organization

During the three months ended March 31, 2015, the Company established a wholly-owned subsidiary, NMF QID NGL Holdings, Inc. ("NMF QID"). The Company's wholly-owned subsidiaries, NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID and NMF YP Holdings Inc. ("NMF YP"), are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). 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 Association (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, 2015.



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

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

The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Company's investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC LP's investment objective is to generate current income and capital appreciation under the investment criteria used by the Company, however, SBIC LP's investments must be SBA eligible companies. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2015, our top five industry concentrations were software, business services, education, federal services and healthcare services.

As of March 31, 2015, the Company's net asset value was $806.5 million and its portfolio had a fair value of approximately $1,404.8 million in 69 portfolio companies, with a weighted average Yield to Maturity at Cost of approximately 10.6%. This Yield to Maturity at Cost ("Yield to Maturity at Cost") calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. Adjusted cost reflects the GAAP cost for post-IPO investments and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date). This calculation excludes the impact of existing leverage. Yield to Maturity at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in the Company's portfolio or other factors.

Recent Developments

On April 20, 2015, Edmentum, Inc. ("Edmentum") announced an agreement with the unanimous support of its first lien lenders, second lien lenders and equity sponsors to recapitalize its balance sheet and reduce its outstanding indebtedness. The recapitalization is expected to close in the second quarter of 2015.

On May 5, 2015, the Company's board of directors declared a second quarter 2015 distribution of $0.34 per share payable on June 30, 2015 to holders of record as of June 16, 2015.

On May 5, 2015, the Company entered into a Second Amended and Restated Administration Agreement with the Administrator to reflect current operating procedures.

Critical Accounting Policies

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

Basis of Accounting

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

Valuation and Leveling of Portfolio Investments

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

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

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

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

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

b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following:

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

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

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

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

b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management;

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

d. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

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

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

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

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

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

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

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

(in thousands)	Total	Level I	Level II	Level III
First lien	$ 641,501	$ —	$ 488,843	$ 152,658
Second lien	591,465	—	488,729	102,736
Subordinated	75,544	—	37,482	38,062
Equity and other	96,244	—	526	95,718
Total investments	$ 1,404,754	$ —	$ 1,015,580	$ 389,174

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.

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Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. Significant increases or decreases in the multiple will result in an increase or decrease in enterprise value, resulting in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2015, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of investments in 16 of its portfolio companies. The Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2015, the Company used the discount ranges set forth in the table below to value investments in 17 of its portfolio companies.

(in thousands)

				Range		
Type	**Fair Value**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 152,658	Market approach	EBITDA multiple	4.5x	16.5x	9.9x
		Income approach	Discount rate	7.9%	14.4%	10.9%
Second lien	102,736	Market approach	EBITDA multiple	5.5x	15.0x	10.6x
		Income approach	Discount rate	11.0%	15.5%	12.6%
Subordinated	38,062	Market approach	EBITDA multiple	4.5x	12.2x	9.8x
		Income approach	Discount rate	10.4%	17.6%	14.6%
Equity and other	95,718	Market approach	EBITDA multiple	3.0x	16.5x	6.5x
		Income approach	Discount rate	8.0%	19.1%	13.9%
		Black Scholes analysis	Expected life in years	11.0	11.0	11.0
			Volatility	28.5%	28.5%	28.5%
			Discount rate	2.1%	2.1%	2.1%
	$ 389,174					

NMFC Senior Loan Program I, LLC

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

SLP I is capitalized with $93.0 million of capital commitments, $275.0 million of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of March 31, 2015, SLP I had total investments with an aggregate fair value of approximately $343.0 million, debt outstanding of $247.1 million and capital that had been called and funded of $93.0 million. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedule of Investments as of March 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. For the three months ended March 31, 2015, the Company earned approximately $0.3 million in management fees related to SLP I which is included in other income. As of March 31, 2015, approximately $0.6 million of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2015, the

Company earned approximately $0.9 million of dividend income related to SLP I, which is included in dividend income. As of March 31, 2015, approximately $1.0 million of dividend income related to SLP I was included in interest and dividend receivable.

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

Collateralized agreements or repurchase financings

The Company follows the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—Secured Borrowing and Collateral, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2015 and December 31, 2014, the Company held one collateralized agreement to resell with a carrying value of $30.0 million, collateralized by a security with a fair value of $30.0 million and guaranteed by the counterparty. The counterparty has the option to repurchase the collateral from the Company at the par value of the collateralized agreement within a year. The collateralized agreement earns interest at a rate of 15.0% per annum as of March 31, 2015 and December 31, 2014.

Revenue Recognition

The Company's revenue recognition policies are as follows:

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

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

Dividend income on common equity is recorded on the 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, 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 are recognized as income when earned, usually when paid at the closing of the investment and are non-refundable.

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

Revenue, expenses, and capital gains (losses): At each quarterly valuation date, the Predecessor Operating Company's investment income, expenses, net realized gains (losses), and net increase (decrease) in unrealized appreciation (depreciation) were allocated to NMFC based on its pro-rata interest in the net assets of the Predecessor Operating Company. This was recorded on

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

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

Monitoring of Portfolio Investments

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

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

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

The following table shows the distribution of the Company's investments on the 1 to 4 investment rating scale at fair value as of March 31, 2015:

(in millions)	**As of March 31, 2015**			
Investment Rating	**Par Value(1)**	**Percent**	**Fair Value**	**Percent**
Investment Rating 1	$ 280.6	20.6%	$ 292.9	20.8%
Investment Rating 2	1,005.9	73.6%	1,062.8	75.7%
Investment Rating 3	61.2	4.5%	40.9	2.9%
Investment Rating 4	17.4	1.3%	8.2	0.6%
	$ 1,365.1	100.0%	$ 1,404.8	100.0%

(1) Excludes shares and warrants.

As of March 31, 2015, all investments in the Company's portfolio had an Investment Rating of 1 or 2 with the exception of six portfolio company names; five portfolio companies with an Investment Rating of 3 and two portfolio companies with an Investment Rating of 4. As of March 31, 2015, a portion of the Company's investment in one portfolio company had an Investment Rating of 3 and a portion had an Investment Rating of 4.

During the first quarter of 2015, the Company placed a portion of its second lien position in Edmentum, Inc. ("Edmentum") on non-accrual status due to its ongoing restructuring. As of March 31, 2015, the portion of the Edmentum second lien position placed on non-accrual status represented an aggregate cost basis of $15.4 million, an aggregate fair value of $7.8 million and total unearned interest income of $0.4 million for the three months then ended.

During the first quarter of 2015, the Company's first lien position in Education Management LLC ("EDMC") was non-income producing as a result of the portfolio company undergoing a restructuring. As of December 31, 2014, the Company's investment in EDMC had an aggregate cost basis of $3.0 million, an aggregate fair value of $1.4 million and total unearned interest income of $0 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, the Company's original investment in EDMC had an aggregate cost of $3.0 million and an aggregate fair value of $1.4 million. The extinguishment resulted in a realized loss of $1.6 million. Post restructuring, the Company's investments in EDMC are income producing. As of March 31, 2015, the Company's investments in EDMC have an aggregate cost basis of $1.4 million and an aggregate fair value of $1.4 million.

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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 fair value of $35.2 million. 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, the Company's original investments in UniTek had an aggregate cost of $52.9 million and an aggregate fair value of $40.1 million. The extinguishment resulted in a realized loss of $12.8 million. Post restructuring, the Company's investments in UniTek have been restored to full accrual status. As of March 31, 2015, the Company's investments in UniTek have an aggregate cost basis of $40.5 million and an aggregate fair value of $47.3 million.

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

Portfolio and Investment Activity

The fair value of the Company's investments was approximately $1,404.8 million in 69 portfolio companies at March 31, 2015 and approximately $1,424.7 million in 71 portfolio companies at December 31, 2014.

At March 31, 2014, the Company's only investment was its investment in the Predecessor Operating Company. The following table shows the Company's portfolio and investment activity for the three months ended March 31, 2015 and the Predecessor Operating Company's portfolio and investment activity for the three months ended March 31, 2014:

(in millions)	Three months ended March 31, 2015	Three months ended March 31, 2014
New investments in 7 and 15 portfolio companies, respectively	$ 67.2	$ 158.7
Debt repayments in existing portfolio companies	50.0	40.6
Sales of securities in 10 and 5 portfolio companies, respectively	43.3	61.8
Change in unrealized appreciation on 42 and 35 portfolio companies, respectively	33.7	11.5
Change in unrealized depreciation on 31 and 27 portfolio companies, respectively	(29.2)	(6.7)

At March 31, 2015, the Company's weighted average Yield to Maturity at Cost was approximately 10.6%. At March 31, 2014, the Predecessor Operating Company's weighted average Yield to Maturity at Cost was approximately 10.9%.

Recent Accounting Standards Updates

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers Topic 606—Summary and Amendments that Create Revenue from Contracts with Customers and Other Assets and Deferred Costs* ("ASU 2014-09"). ASU 2014-09 establishes a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the

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performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Qualitative and quantitative information is required to be disclosed about: (1) contracts with customers, (2) significant judgments and changes in judgments, and (3) assets recognized from costs to obtain or fulfill a contract. The new guidance will apply to all entities. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-11, *Transfers and Servicing Topic 860—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* ("ASU 2014-11"). ASU 2014-11 changes the accounting for repurchase- and resale-to-maturity agreements by requiring that such agreements be recognized as financing arrangements, and requires that a transfer of a financial asset and a repurchase agreement entered into contemporaneously be accounted for separately. ASU 2014-11 requires additional disclosures about certain transferred financial assets accounted for as sales and certain securities financing transactions. The accounting changes and additional disclosures about certain transferred financial assets accounted for as sales are effective for the first interim and annual reporting periods beginning after December 15, 2014. The additional disclosures for securities financing transactions are required for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. The Company is in the process of evaluating the impact that this guidance will have on its consolidated financial statements and disclosures.

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

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

Results of Operations

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

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

(in thousands)	Three Months Ended March 31, 2015	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Three Months Ended March 31, 2015
Investment income				
Interest income	$ 33,347	$ (33)	$ —	$ 33,314
Dividend income	1,307	—	—	1,307
Other income	1,882	—	—	1,882
Total investment income(2)	36,536	(33)	—	36,503
Total expenses pre-incentive fee(3)	12,115	—	—	12,115
Pre-Incentive Fee Net Investment Income	24,421	(33)	—	24,388
Incentive fee	5,359	—	(481)	4,878
Post-Incentive Fee Net Investment Income	19,062	(33)	481	19,510
Net realized losses on investments(4)	(133)	—	—	(133)
Net change in unrealized appreciation (depreciation) of investments(4)	4,486	33	—	4,519
Provision for taxes	(501)	—	—	(501)
Capital gains incentive fees	—	—	(481)	(481)
Net increase in net assets resulting from operations	$ 22,914			$ 22,914

(1) For the three months ended March 31, 2015, the Company incurred total incentive fees of $5.4 million, of which $0.5 million related to capital gains incentive fees on a hypothetical liquidation basis.

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

(3) Includes expense waivers and reimbursements of $0.4 million and management fee waivers of $1.4 million.

(4) Includes net realized 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, 2015, the Company had a less than $0.1 million adjustment to interest income for amortization and an increase of less than $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, 2015, total adjusted investment income of $36.5 million consisted of approximately $31.6 million in cash interest from investments, approximately $0.7 million in PIK interest from investments, approximately $0.4 million in prepayment fees, net amortization of purchase premiums and discounts and origination fees of approximately $0.6 million, approximately $0.8 million in cash dividends from investments, $0.5 million in PIK dividends from investments and approximately $1.9 million in other income. The Company's Adjusted Net Investment Income was $19.5 million for the three months ended March 31, 2015.

In accordance with GAAP, for the three months ended March 31, 2015, the Company accrued $0.5 million of 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, 2015, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

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Results of Operations for the Company for the Three Months Ended March 31, 2015 and the Predecessor Operating Company for the Three Months Ended March 31, 2014

Revenue

(in thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Percentage Change
Interest income	$ 33,347	$ 28,139	19 %
Dividend income	1,307	2,095	(38)%
Other income	1,882	684	175 %
Total investment income	$ 36,536	$ 30,918	18 %

The Company's total investment income increased by approximately $5.6 million for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's total investment income for the three months ended March 31, 2014. The 18% increase in total investment income primarily results from an increase in interest income of approximately $5.2 million from the three months ended March 31, 2014 to the three months ended March 31, 2015 which is attributable to larger invested balances, driven by the proceeds from the April 2014 and October 2014 primary offerings of the Company's common stock, the June 2014 offering of NMFC's convertible notes, the Company's use of leverage from its revolving credit facilities to originate new investments and prepayment fees received associated with the early repayments or partial repayments of two different portfolio companies held by the Company as of December 31, 2014. The increase in other income of approximately $1.2 million during the three months ended March 31, 2015 as compared to the three months ended March 31, 2014, which represents fees that are generally non-recurring in nature, was primarily attributable to structuring, amendment and consent fees received from four different portfolio companies and management fees from a non-controlled affiliated portfolio company. The decrease in dividend income during the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 was primarily attributable to a large non-recurring distribution from one of the Predecessor Operating Company's warrant investments during the three months ended March 31, 2014.

Operating Expenses

(in thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Percentage Change
Management fee	$ 6,468	$ 4,176	
Less: management fee waiver	(1,382)	—	
Total management fee	5,086	4,176	22%
Incentive fee	4,878	4,443	10%
Capital gains incentive fee(1)	481	1,527	(69)%
Interest and other financing expenses	5,477	3,413	60%
Professional fees	739	862	(14)%
Administrative expenses	635	596	7%
Other general and administrative expenses	429	390	10%
Total expenses	17,725	15,407	15%
Less: expenses waived and reimbursed	(400)	(774)	(48)%
Net expenses before income taxes	17,325	14,633	18%
Income tax expense	149	—	NM*
Net expenses after income taxes	$ 17,474	$ 14,633	19%

* Not meaningful.

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

The Company's total net operating expenses increased by approximately $2.8 million for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's three months ended March 31, 2014. The Company's management fee increased by approximately $0.9 million, net of a management fee waiver, and incentive fees increased by approximately $0.4 million for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's three months ended March 31, 2014. The increase in management fee and incentive fee from the Predecessor Operating Company's three months ended March 31, 2014 to the Company's three months ended March 31, 2015 was attributable to larger invested balances, driven by the proceeds from the April 2014 and October 2014 primary offerings of NMFC's common stock, the June 2014 offering of NMFC's convertible notes and the Company's use of leverage from its revolving credit facilities to originate new investments. The Company's capital gains incentive fees decreased by approximately $1.0 million for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's three months ended March 31, 2014, which was attributable to lower net Adjusted Realized Capital Gains

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(Losses) and Adjusted Unrealized Capital Appreciation (Depreciation) of investments during the period due to lower marks on the broader portfolio. As of March 31, 2015, no actual capital gains incentive fee would be owed under the Investment Management Agreement by the Company if the Company had ceased operations as of March 31, 2015, as cumulative net Adjusted Realized Gains did not exceed cumulative Adjusted Unrealized Depreciation.

Interest and other financing expenses increased by approximately $2.1 million during the three months ended March 31, 2015, primarily due to the Company's issuance of $115.0 million of convertible notes and the closing of the NMFC Credit Facility (as defined below) during the second quarter of 2014 and the drawing on SBA-guaranteed debentures during the fourth quarter of 2014. The Company's total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's three months ended March 31, 2014. During the three months ended March 31, 2014, the Company incurred $10.9 thousand in other expenses that were not subject to the expense cap pursuant to the administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and further restricted by the Company. The Company's expenses waived and reimbursed decreased by approximately $0.4 million for the three months ended March 31, 2015 as compared to the Predecessor Operating Company's three months ended March 31, 2014 due to the expiration of the expense cap on March 31, 2014.

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

(in thousands)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Percentage Change
Net realized losses (gains) on investments	$ (133)	$ 2,780	(105)%
Net change in unrealized appreciation (depreciation) of investments	4,486	4,814	(7)%
Provision for taxes	(501)	—	NM*
Total net realized gains and net change in unrealized (depreciation) appreciation of investments	$ 3,852	$ 7,594	(49)%

* Not meaningful.

The Company's net realized losses and unrealized gains resulted in a net gain of approximately $3.9 million for the three months ended March 31, 2015 compared to the Predecessor Operating Company's net realized and unrealized gains resulting in a net gain of approximately $7.6 million for the same period in 2014. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net gain for the three months ended March 31, 2015 was primarily driven by the overall increase in the market prices of the Company's 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. The net gain for the three months ended March 31, 2014 was primarily driven by the overall increase in the market prices of the Predecessor Operating Company's investments during the period. The provision for income taxes was attributable to two equity investments that are held as of March 31, 2015 in two of the Company's corporate subsidiaries.

Liquidity and Capital Resources

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

Since NMFC's IPO, and through March 31, 2015, NMFC raised approximately $374.6 million in net proceeds from additional offerings of common stock and issued shares valued at approximately $288.4 million on behalf of AIV Holdings for exchanged units. NMFC acquired from the Predecessor Operating Company units of the Predecessor Operating Company equal to the number of shares of NMFC's common stock sold in the additional offerings.

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

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At March 31, 2015 and December 31, 2014, the Company had cash and cash equivalents of approximately $22.2 million and $23.4 million, respectively. Cash provided by operating activities for the Company during the three months ended March 31, 2015 was approximately $24.3 million and cash used in operating activities for the Predecessor Operating Company for the three months ended March 31, 2014 was approximately $(36.6) million. We expect that all current liquidity needs by the Company will be met with cash flows from operations and other activities.

Borrowings

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

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

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $495.0 million, which is the aggregate of the $280.0 million previously available under the Predecessor Holdings Credit Facility (as defined below) and the $215.0 million previously available under the SLF Credit Facility (as defined below). Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by the Wells Fargo Securities, LLC. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

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

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

The maximum amount of revolving borrowings available under the Predecessor Holdings Credit Facility was $280.0 million. Until December 18, 2014, NMF Holdings was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Predecessor Holdings Credit Facility was amended and restated on May 6, 2014 and as a result, it was non-recourse to the Company and was collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Predecessor Holdings Credit Facility were capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Predecessor Holdings Credit Facility. The Predecessor Holdings Credit Facility contained certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Predecessor Holdings Credit Facility required the Company to maintain a minimum asset coverage ratio. However, the covenants were generally not tied to mark to market fluctuations in the prices of NMF Holdings' investments, but rather to the performance of the underlying portfolio companies.

The Predecessor Holdings Credit Facility bore interest at a rate of the LIBOR plus 2.75% per annum and charged a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

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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, 2015 and the Predecessor Holdings Credit Facility for the three months ended March 31, 2014.

	Three months ended	
(in millions)	**March 31, 2015**	**March 31, 2014**
Interest expense	$ 2.9	$ 1.7
Non-usage fee	$ 0.1	$ 0.1
Amortization of financing costs	$ 0.4	$ 0.2
Weighted average interest rate	2.6%	2.9%
Effective interest rate	3.0%	3.4%
Average debt outstanding	$ 449.5	$ 232.8

As of March 31, 2015 and December 31, 2014, the outstanding balance on the Holdings Credit Facility was $442.6 and $468.1 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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

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

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the SLF Credit Facility for the three months ended March 31, 2015 and March 31, 2014.

	Three months ended	
	March 31, 2015 (1)	March 31, 2014
Interest expense	$ —	$ 1.2
Non-usage fee	$ —	$ —(2)
Amortization of financing costs	$ —	$ 0.2
Weighted average interest rate	—%	2.2%
Effective interest rate	—%	2.7%
Average debt outstanding	$ —	$ 215.0

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

(2) For the three months ended March 31, 2014, the total non-usage fee was less than $50 thousand.

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

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

The maximum amount of revolving borrowings available under the NMFC Credit Facility is $80.0 million, as amended on December 29, 2014. 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 will generally bear interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% (as defined in the Senior Secured Revolving Credit Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three months ended March 31, 2015 and March 31, 2014.

	Three months ended	
(in millions)	March 31, 2015	March 31, 2014 (1)
Interest expense	$ 0.2	$ —
Non-usage fee	$ —(2)	$ —
Amortization of financing costs	$ 0.1	$ —
Weighted average interest rate	2.7%	—%
Effective interest rate	4.1%	—%
Average debt outstanding	$ 31.7	$ —

(1) Not applicable, as the NMFC Credit Facility commenced on June 4, 2014.

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

As of March 31, 2015 and December 31, 2014, the outstanding balance on the NMFC Credit Facility was $68.8 million and $50.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, the Company closed a private offering of $115.0 million aggregate principal amount of senior unsecured convertible notes (the "Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "Indenture"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. 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, commencing on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option. The Convertible Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 62.7746 shares of the Company's common stock per $1.0 thousand principal amount of Convertible Notes (7,219,083 common shares) corresponding to an initial conversion price per share of approximately $15.93, which represents a premium of 12.5% to the $14.16 per share closing price of the Company's common stock on May 28, 2014. The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of $0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of $14.16 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 70.6214 per $1.0 thousand principal amount of the Convertible Notes. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such

indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The issuance is considered part of the if-converted method for calculation of diluted earnings per share.

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

The Indenture contains certain covenants, including covenants requiring the Company to provide financial information to the holders of the Convertible Note and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the Indenture. As of March 31, 2015, the Company was in compliance with the terms of the Indenture.

Interest expense and amortization of financing costs incurred on the Convertible Notes for the three months ended March 31, 2015 was $1.4 million and $0.2 million, respectively. The effective interest rate for the three months ended March 31, 2015 was 5.7%.

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

The SBIC license allows SBIC LP to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to the Company, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC LP over the Company's stockholders in the event SBIC LP is liquidated or the SBA exercises remedies upon an event of default.

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

As of March 31, 2015, SBIC LP had regulatory capital of $42.2 million and SBA-guaranteed debentures outstanding of $37.5 million. The SBA-guaranteed debentures incur upfront fees of 3.43%, which consists of a 1.00% commitment fee and a 2.43% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's fixed-rate SBA-guaranteed debentures as of March 31, 2015.

(in millions) Issuance Date	Maturity Date	Debenture Amount	Fixed Interest Rate	SBA Annual Charge
March 25, 2015	March 1, 2025	$ 37.5	2.517%	0.355%

SBIC LP's outstanding SBA-guaranteed debentures pooled on March 25, 2015 and prior to pooling bore interest at an interim floating rate of LIBOR plus 0.30%. Interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three months ended March 31, 2015 was $0.1 million and $31 thousand, respectively. The weighted average interest rate and the effective interest rate for the three months ended March 31, 2015 was 1.1% and 1.4%, respectively.

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, 2015, SBIC LP was in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

The Company may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2015 and December 31, 2014, the Company had outstanding commitments to third parties to fund investments totaling $18.5 million and

$27.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

The Company may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of March 31, 2015 and December 31, 2014, the Company did not enter into any commitment letters to purchase debt investments. As of March 31, 2015 and December 31, 2014, the Company had not entered into any bridge financing commitments which could require funding in the future.

Contractual Obligations

A summary of the Company's significant contractual payment obligations as of March 31, 2015 is as follows:

	Contractual Obligations Payments Due by Period (in millions)				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	$ 442.6	$ —	$ —	$ 442.6	$ —
Convertible Notes(2)	115.0	—	—	115.0	—
NMFC Credit Facility(3)	68.8	—	—	68.8	—
SBA-guaranteed debentures(4)	37.5	—	—	—	37.5
Total Contractual Obligations	$ 663.9	$ —	$ —	$ 626.4	$ 37.5

(1) Under the terms of the $495.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($442.6 million as of March 31, 2015) must be repaid on or before December 18, 2019. As of March 31, 2015, there was approximately $52.4 million of possible capacity remaining under the Holdings Credit Facility.

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

(3) Under the terms of the $80.0 million NMFC Credit Facility, all outstanding borrowings under that facility ($68.8 million as of March 31, 2015) must be repaid on or before June 4, 2019. As of March 31, 2015, there was approximately $11.2 million of possible capacity remaining under the NMFC Credit Facility.

(4) The SBA-guaranteed debentures will mature on March 1, 2025.

The Company has certain contracts under which it has material future commitments. The Company has $18.5 million of undrawn funding commitments as of March 31, 2015 related to its participation as a lender in revolving credit facilities, delayed draw commitments or other future funding commitments of the Company's portfolio companies. As of March 31, 2015, the Company did not enter into any bridge financing commitments which could require funding in the future.

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

We have also entered into an Administration Agreement with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office space for us and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to conduct our respective day-to-day operations. The Administrator has also agreed to perform, or oversee the performance of, our financial records, our reports to stockholders and reports filed with the SEC.

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

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Distributions and Dividends

Dividends declared and paid to stockholders of the Company for the three months ended March 31, 2015 totaled $19.7 million.

The following table summarizes the Company's quarterly cash distributions, including dividends and returns of capital, if any, per share that have been declared by the Company's board of directors since the Company's IPO:

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

	$ 0.86
Total	$ 5.87

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

(2) Special dividend related to a distribution received attributable to the Predecessor Operating Company's investment in YP Equity Investors LLC.

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

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

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

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

The Company maintains an "opt out" dividend reinvestment plan for its common stockholders. As a result, the Company's stockholders' cash dividends will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. Cash dividends reinvested in additional shares of the Company's common stock will be automatically reinvested by the Company into additional shares of the Company's common stock. See *Item 1—Financial Statements—Note 2, Summary of Significant Accounting Policies* for additional details regarding the Company's dividend reinvestment plan.

Related Parties

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

- The Company has entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

- The Company has entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of the Company's chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by the Company, expenses payable to the Administrator by the Company as well as other direct and indirect expenses (excluding interest, other financing expense, trading expenses and management and incentive fees) had been capped at $4.25 million for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2015, approximately $0.4 million of indirect administrative expenses were included in administrative expenses, of which $0.4 million were waived by the Administrator.

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

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Company's investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to certain financial market risks, such as interest rate fluctuations. During the three months ended March 31, 2015, certain of the loans held in the Company's portfolio had floating interest rates. As of March 31, 2015, approximately 86.0% of investments at fair value (excluding investments on non-accrual, revolvers, and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 14.0% of investments at fair value represent fixed-rate investments. Additionally, the Company's senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from the Company's portfolio of investments held on March 31, 2015. Interest expense is calculated based on the terms of the Company's outstanding revolving credit facilities and convertible notes. For the Company's floating rate credit facilities, the Company uses the outstanding balance as of March 31, 2015. Interest expense on the Company's floating rate credit facilities are calculated using the interest rate as of March 31, 2015, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on the Company's portfolio investments remain unchanged from the actual effective interest rates as of March 31, 2015. These hypothetical calculations are based on a model of the investments in our portfolio, held as of March 31, 2015, and are only adjusted for assumed changes in the underlying base interest rates.

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

Change in Interest Rates	Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)
-25 Basis Points	0.85 %(1)
Base Interest Rate	— %
+100 Basis Points	(3.16)%
+200 Basis Points	2.49 %
+300 Basis Points	8.80 %

(1) Limited to the lesser of the March 31, 2015 LIBOR rates or a decrease of 25 basis points.

The Company was not exposed to any foreign currency exchange risks as of March 31, 2015.

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2015 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

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

Item 1. Legal Proceedings

The Company, the Company's consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of March 31, 2015. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

Item 1A. Risk Factors

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

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

We did not engage in unregistered sales of securities during the quarter ended March 31, 2015.

Issuer Purchases of Equity Securities

For the quarter ended March 31, 2015, we did not purchase any common stock in the open market.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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 31, 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	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.8	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)
10.9	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.10	Second Amended and Restated Administration Agreement
10.11	Form of Trademark License Agreement(1)
10.12	Amendment No. 1 to Trademark License Agreement(4)
10.13	Form of Registration Rights Agreement(1)

Exhibit Number	Description
10.14	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)
10.15	Dividend Reinvestment Plan(2)

11.1	Computation of Per Share Earnings for New Mountain Finance Corporation (included in the notes to the financial statements contained in this report)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
99.1	Supplemental Financial Information

(1) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.

(2) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.

(3) Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.

(4) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on November 14, 2011.

(5) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 2 (File Nos. 333-189706 and 333-189707) filed on April 11, 2014.

(6) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 8, 2014.

(7) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 4, 2014.

(8) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 10, 2014.

(9) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on December 23, 2014.

(10) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on January 5, 2015.

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 5, 2015.

NEW MOUNTAIN FINANCE CORPORATION

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

By: /s/ DAVID M. CORDOVA
David M. Cordova
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 10.10

EXECUTION VERSION

SECOND AMENDED AND RESTATED ADMINISTRATION AGREEMENT

This SECOND AMENDED AND RESTATED ADMINISTRATION AGREEMENT ("Agreement") is made as of May 5, 2015 by and among New Mountain Finance Corporation, a Delaware corporation ("NMFC") and New Mountain Finance Administration, L.L.C., a Delaware limited liability company (the "Administrator"). NMFC and the Administrator are sometimes referred to herein separately as a "party" and collectively as the "parties".

RECITALS

WHEREAS, NMFC is a closed-end management investment company that has to elected to be regulated as business development company ("BDC") under the Investment Company Act of 1940, as amended (the "Investment Company Act");

WHEREAS, NMFC desires to retain the Administrator to provide administrative services to NMFC in the manner and on the terms hereinafter set forth; and

WHEREAS, the Administrator is willing to provide administrative services to NMFC on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

1. Duties of the Administrator

(a) Employment of Administrator. NMFC hereby employs the Administrator to act as administrator, and to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of NMFC, with respect to services provided to NMFC (the "Services") for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such employment and agrees during such period to render, or arrange for the rendering of, such Services to NMFC and to assume the obligations herein set forth subject to the reimbursement of costs and expenses provided for below. The Administrator and such others shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent NMFC in any way or otherwise be deemed agents of NMFC; provided, however, that the Administrator may enter into agreements as an agent of NMFC in furtherance of its responsibilities under this Agreement.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of NMFC. Without limiting the generality of the foregoing, the Administrator shall provide NMFC with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the Administrator, subject to review by the Board of Directors of NMFC, the Administrator shall also, on behalf of NMFC, conduct relations with custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Administrator shall make reports to the Board of Directors of NMFC of its performance of its obligations to NMFC hereunder, and furnish advice and recommendations with respect to such other aspects of the business and affairs of NMFC, as it shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not, provide any advice or recommendation relating to the securities and other assets that NMFC should purchase, retain or sell or any other investment advisory services to NMFC. The Administrator shall be responsible for the financial and other records that NMFC is required to maintain and shall prepare, print and disseminate reports to stockholders and reports and other materials filed with the Securities and Exchange Commission (the "SEC") or any other regulatory authority. The Administrator will provide on NMFC's behalf significant managerial assistance to those portfolio companies to which NMFC is required to provide such assistance. In addition, the Administrator will assist NMFC in determining and publishing

its net asset value, overseeing the preparation and filing of its tax returns, and generally overseeing the payment of its expenses and the performance of administrative and professional services rendered to NMFC by others.

(c) Retention of Third Party Service Providers. The Administrator is hereby authorized to enter into one or more agreements with third party service providers as an agent of NMFC (including any sub-administrator) (each, a "Service Provider") pursuant to which the Administrator may obtain the services of the Service Provider(s) to assist the Administrator in fulfilling its responsibilities to NMFC hereunder. NMFC shall be responsible for any expenses incurred by the Administrator on behalf of NMFC payable to any Service Provider. Any sub-administration agreement entered into by the Administrator shall be in accordance with the requirements of the Investment Company Act and other applicable federal and state law.

2. Records

The Administrator agrees to maintain and keep all books, accounts and other records of NMFC that relate to activities performed by the Administrator for NMFC hereunder and will maintain and keep such books, accounts and records in accordance with the Investment Company Act. In compliance with the requirements of Rule 31a-3 under the Investment Company Act, the Administrator agrees that all records which it maintains for NMFC shall at all times remain the property of NMFC, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of the Agreement or otherwise on written request. The Administrator further agrees that all records which it maintains for NMFC pursuant to Rule 31a-1 under the Investment Company Act will be preserved for the periods prescribed by Rule 31a-2 under the Investment Company Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

3. Confidentiality

The parties hereto agree that each shall treat confidentially all information provided by a party to any other party regarding its business and operations. All confidential information provided by a party hereto, including nonpublic personal information (regulated pursuant to Regulation S-P of the SEC), shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement or any other agreement between NMFC, the Administrator or any of their respective affiliates, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

4. Compensation; Allocation of Costs and Expenses

In full consideration of the provision of the Services of the Administrator, NMFC shall reimburse the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities to NMFC hereunder. In addition, NMFC shall reimburse any affiliate of the Administrator for any costs and expenses incurred by such affiliate on behalf of the Administrator in connection with the Administrator's provision of Services to NMFC under this Agreement. NMFC will bear all costs and expenses that are incurred in NMFC's operation, administration and transactions and not specifically assumed by NMFC's investment adviser (the "Adviser"), pursuant to that certain Investment Management Agreement, dated as of May 8, 2014 by and between NMFC and the Adviser. Costs and expenses to be borne by NMFC include, but are not limited to, those relating to: calculating NMFC's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred or paid by the Adviser or any affiliate of the Adviser and paid or payable to third parties, including agents, consultants or other advisers, in monitoring financial and legal affairs of NMFC and in providing administrative services, monitoring NMFC's investments and performing due diligence on its prospective portfolio companies; interest payable on debt, if any, incurred to finance NMFC's investments; sales and purchases of NMFC's common stock and other securities; investment advisory and management fees; administration fees, if

any, payable under this Agreement; fees payable to third parties, including agents, consultants or other advisers, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing NMFC's shares on any securities exchange; federal, state and local taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents required by the SEC; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the fidelity bond, directors and officers, errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by NMFC or the Administrator in connection with administering NMFC's business, including payments under this Agreement based upon NMFC's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of NMFC's chief compliance officer and chief financial officer and their respective staffs.

5. Limitation of Liability of the Administrator; Indemnification

The Administrator, its affiliates and their respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Administrator, including without limitation its sole member and any person affiliated with New Mountain Capital, L.L.C. to the extent they are providing services for or otherwise acting on behalf of the Administrator, the Adviser or NMFC, shall not be liable to NMFC for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as administrator for NMFC, and NMFC shall indemnify, defend and protect the Administrator, its affiliates and their respective officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation its sole member and any person affiliated with New Mountain Capital, L.L.C., the Adviser, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of NMFC or its stockholders) arising out of or otherwise based upon the performance of any of the Administrator's duties or obligations under this Agreement or otherwise as administrator for NMFC.

6. Activities of the Administrator

The services of the Administrator to NMFC are not to be deemed to be exclusive, and the Administrator and each affiliate of the Administrator and any other person providing services to NMFC as arranged by the Administrator, is free to render services to others. It is understood that directors, officers, employees and stockholders of NMFC, are or may become interested in the Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Administrator and directors, officers, members, managers, employees, partners and stockholders of the Administrator and its affiliates are or may become similarly interested in NMFC, as stockholders or otherwise.

7. Duration and Termination of this Agreement

(a) This Agreement shall become effective as of the date hereof. This Agreement shall continue in effect until May 5, 2017, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (A) the vote of NMFC's Board of Directors, or by the vote of a majority of the outstanding voting securities of NMFC and (B) the vote of a majority of NMFC's Board of Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act.

(b) The Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice, (i) by the vote of a majority of the outstanding voting securities of NMFC or by the vote of NMFC's Board of Directors, or (ii) by the Administrator.

8. Amendments of this Agreement

This Agreement may not be amended or modified except by a written instrument signed by each party hereto.

9. Assignment

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned by a party without the consent of the other parties. The provisions of Section 5 of this Agreement shall remain in full force and effect, and the Administrator shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement.

10. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York and the applicable provisions of the Investment Company Act. To the extent the applicable laws of the State of New York, or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

11. No Waiver

The failure of any party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such party thereafter to enforce such provisions, and no waiver shall be binding unless executed in writing by all parties hereto.

12. Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

13. **Notices**

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other parties at their principal office.

14. **Counterparts**

This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original instrument and all of which taken together shall constitute one and the same agreement.

15. **Entire Agreement**

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements with respect to such subject matter.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ Paula A. Bosco
Name: Paula A. Bosco
Title: Chief Compliance Officer, Chief Regulatory Counsel and Corporate Secretary

NEW MOUNTAIN FINANCE ADMINISTRATION, L.L.C.

By: /s/ Paula A. Bosco
Name: Paula A. Bosco
Title: Authorized Person

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 5th day of May, 2015

/s/ ROBERT A. HAMWEE
Robert A. Hamwee

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David M. Cordova, 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 5th day of May, 2015

/s/ DAVID M. CORDOVA
David M. Cordova

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 ended March 31, 2015 (the “Report”) of New Mountain Finance Corporation (the “Registrant”), as filed with the United States Securities and Exchange Commission on the date hereof, I, Robert A. Hamwee, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ ROBERT A. HAMWEE

Name: Robert A. Hamwee
Date: May 5, 2015

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2015 (the “Report”) of New Mountain Finance Corporation (the “Registrant”), as filed with the United States Securities and Exchange Commission on the date hereof, I, David M. Cordova, 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/ DAVID M. CORDOVA

Name: David M. Cordova
Date: May 5, 2015

EXHIBIT 99.1

TABLE OF CONTENTS

New Mountain Finance Holdings, L.L.C.

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

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Investments at fair value (cost of $1,153,821 and $1,094,080, respectively)	$ 1,180,206	$ 1,115,651
Cash and cash equivalents	13,327	14,981
Interest and dividend receivable	12,049	10,531
Receivable from unsettled securities sold	7,418	—
Deferred credit facility costs (net of accumulated amortization of $3,980 and $3,562, respectively)	4,361	4,727
Receivable from affiliate	383	459
Other assets	1,660	1,492
Total assets	$ 1,219,404	$ 1,147,841
Liabilities		
Holdings Credit Facility	271,825	221,849
SLF Credit Facility	215,000	214,668
Payable for unsettled securities purchased	15,175	3,690
Capital gains incentive fee payable	8,050	7,636
Incentive fee payable	4,443	4,104
Management fee payable	4,176	3,856
Interest payable	937	814
Payable to affiliate	10	80
Other liabilities	2,640	2,628
Total liabilities	522,256	459,325
Members' Capital	697,148	688,516
Total liabilities and members' capital	$ 1,219,404	$ 1,147,841
Outstanding common membership units	47,968,000	47,896,693
Capital per unit	$ 14.53	$ 14.38

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

New Mountain Finance Holdings, L.L.C.

Consolidated Statements of Operations
(in thousands)
(unaudited)

	Three months ended	
	March 31, 2014	March 31, 2013
Investment income		

Interest income	$ 28,139	$ 25,043
Dividend income	2,095	—
Other income	684	275
Total investment income	30,918	25,318
Expenses		
Incentive fee	4,443	3,458
Capital gains incentive fee	1,527	2,682
Total incentive fee	5,970	6,140
Management fee	4,176	3,568
Interest and other credit facility expenses	3,413	3,071
Professional fees	862	572
Administrative expenses	596	759
Other general and administrative expenses	390	410
Total expenses	15,407	14,520
Less: expenses waived and reimbursed (See Note 5)	(774)	(829)
Net expenses	14,633	13,691
Net investment income	16,285	11,627
Net realized gains on investments	2,780	1,044
Net change in unrealized appreciation (depreciation) of investments	4,814	11,890
Net increase in members' capital resulting from operations	$ 23,879	$ 24,561

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

New Mountain Finance Holdings, L.L.C.

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

	Three months ended	
	March 31, 2014	**March 31, 2013**
Increase in members' capital resulting from operations:		
Net investment income	$ 16,285	$ 11,627
Net realized gains on investments	2,780	1,044
Net change in unrealized appreciation (depreciation) of investments	4,814	11,890
Net increase in members' capital resulting from operations	23,879	24,561
Net contributions	—	28,400
Dividends declared	(16,285)	(13,797)
Offering costs	—	(75)
Reinvestment of dividends	1,038	1,450
Net increase in members' capital	8,632	40,539
Members' capital at beginning of period	688,516	569,939
Members' capital at end of period	$ 697,148	$ 610,478

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

New Mountain Finance Holdings, L.L.C.

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

	Three months ended	
	March 31, 2014	**March 31, 2013**
Cash flows from operating activities		
Net increase in members' capital resulting from operations	$ 23,879	$ 24,561
Adjustments to reconcile net (increase) decrease in members' capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(2,780)	(1,044)
Net change in unrealized (appreciation) depreciation of investments	(4,814)	(11,890)
Amortization of purchase discount	(712)	(1,103)
Amortization of deferred credit facility costs	418	357
Non-cash interest income	(573)	(114)
(Increase) decrease in operating assets:		
Purchase of investments	(158,292)	(112,005)
Proceeds from sales and paydowns of investments	102,436	85,110
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	126	—
Cash paid for purchase of drawn portion of revolving credit or delayed draw facilities	(516)	—
Cash repayments on drawn revolvers	570	—
Interest and dividend receivable	(1,518)	(3,209)
Receivable from unsettled securities sold	(7,418)	9,962
Receivable from affiliate	76	39

Other assets	(168)	(157)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	11,485	(9,700)
Capital gains incentive fee payable	414	2,682
Incentive fee payable	339	68
Management fee payable	320	346
Interest payable	123	98
Payable to affiliate	(70)	5
Other liabilities	56	238
Net cash flows used in operating activities	(36,619)	(15,756)
Cash flows from financing activities		
Net contributions	—	28,400
Dividends paid	(15,247)	(18,023)
Offering costs paid	(78)	(224)
Proceeds from Holdings Credit Facility	93,076	65,425
Repayment of Holdings Credit Facility	(43,100)	(57,200)
Proceeds from SLF Credit Facility	332	3,238
Repayment of SLF Credit Facility	—	(2,500)
Deferred credit facility costs paid	(18)	(234)
Net cash flows provided by financing activities	34,965	18,882
Net (decrease) increase in cash and cash equivalents	(1,654)	3,126
Cash and cash equivalents at the beginning of the period	14,981	12,752
Cash and cash equivalents at the end of the period	$ 13,327	$ 15,878
Supplemental disclosure of cash flow information		
Interest paid	$ 2,714	$ 2,545
Non-cash financing activities:		
Dividends declared and payable	$ —	$ 5,516
Value of members' capital issued in connection with dividend reinvestment plan	1,038	1,450
Accrual for offering costs	690	828
Accrual for deferred credit facility costs	55	64

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

March 31, 2014
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (Base Rate + 7.00%)	2/28/2019	$ 12,500	$ 12,377	$ 12,656	1.82%
Total Funded Debt Investments - Australia				**$ 12,500**	**$ 12,377**	**$ 12,656**	**1.82%**
Funded Debt Investments - Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien (2)(7)	12.00%	3/29/2015	$ 6,497	$ 6,385	$ 7,244	1.04%
Total Funded Debt Investments - Bermuda				**$ 6,497**	**$ 6,385**	**$ 7,244**	**1.04%**
Funded Debt Investments - Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 35,000	$ 34,537	$ 35,613	5.11%
Total Funded Debt Investments - Cayman Islands				**$ 35,000**	**$ 34,537**	**$ 35,613**	**5.11%**
Funded Debt Investments - United States							
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)	9.75%	4/1/2021	$ 24,500	$ 24,351	$ 27,930	
	First lien (3)	5.75% (Base Rate + 4.75%)	3/22/2019	14,963	14,574	15,086	
				39,463	38,925	43,016	6.17%
Deltek, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	10/10/2019	41,000	40,979	41,820	6.00%
Global Knowledge Training LLC							
Education	Second lien (2)	11.00% (Base Rate + 9.75%)	10/21/2018	41,450	41,088	41,650	5.97%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien (3)	7.25% (Base Rate + 5.75%)	11/22/2017	6,514	6,422	6,571	
	Second lien (2)	11.00% (Base Rate + 9.50%)	11/22/2018	33,321	32,832	33,383	
				39,835	39,254	39,954	5.73%
Kronos Incorporated							
Software	Second lien (2)	9.75% (Base Rate + 8.50%)	4/30/2020	37,641	37,332	39,084	5.61%
UniTek Global Services, Inc.							
Business Services	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	26,584	25,750	25,291	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	6,436	6,234	6,123	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	5,350	5,182	5,090	
				38,370	37,166	36,504	5.24%
SRA International, Inc.							
Federal Services	First lien (2)	6.50% (Base Rate + 5.25%)	7/20/2018	34,750	33,835	34,923	5.01%
YP Holdings LLC (8)							
YP LLC							
Media	First lien (2)	8.03% (Base Rate + 6.72%)	6/4/2018	34,096	33,677	34,459	4.94%
Edmentum, Inc.(fka Plato, Inc.)							
Education	Second lien (2)	11.25% (Base Rate + 9.75%)	5/17/2019	31,150	30,703	31,462	4.51%
Rocket Software, Inc.							
Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,739	31,081	4.46%

Tolt Solutions, Inc. (13)							
Business Services	First lien (2)	7.00% (Base Rate + 6.00%)	3/7/2019	15,000	15,000	15,000	
	First lien (2)	12.00% (Base Rate + 11.00%)	3/7/2019	15,000	15,000	15,000	
				30,000	30,000	30,000	4.30%
JHCI Acquisition, Inc.							
Distribution & Logistics	First lien (3)	7.00% (Base Rate + 5.75%)	7/11/2019	19,123	18,863	19,553	
	Second lien (2)	11.00% (Base Rate + 9.75%)	7/11/2020	10,000	9,721	10,013	
				29,123	28,584	29,566	4.24%
CompassLearning, Inc. (12)							
Education	First lien (2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,293	29,250	4.20%
Transtar Holding Company							
Distribution & Logistics	Second lien (2)	10.00% (Base Rate + 8.75%)	10/9/2019	28,300	27,859	28,017	4.02%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (3)	7.25% (Base Rate + 6.00%)	11/13/2017	19,918	19,538	19,719	
	First lien (2)	7.25% (Base Rate + 6.00%)	11/13/2017	6,607	6,514	6,541	
				26,525	26,052	26,260	3.77%

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

March 31, 2014
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Meritas Schools Holdings, LLC							
Education	First lien (3)	7.00% (Base Rate + 5.75%)	6/25/2019	$ 19,900	$ 19,722	$ 20,049	
	First lien (2)	7.00% (Base Rate + 5.75%)	6/25/2019	5,905	5,853	5,950	
				25,805	25,575	25,999	3.73%
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%	12/15/2018	25,000	25,000	25,688	3.68%
Permian Tank & Manufacturing, Inc.							
Energy	First lien (2)	10.50%	1/15/2018	24,500	24,742	25,051	3.59%
Aderant North America, Inc.							
Software	Second lien (2)	10.00% (Base Rate + 8.75%)	6/20/2019	24,000	23,742	24,479	3.51%
McGraw-Hill School Education Holdings, LLC							
Education	First lien (3)	6.25% (Base Rate + 5.00%)	12/18/2019	19,950	19,757	20,115	
	First lien (2)	6.25% (Base Rate + 5.00%)	12/18/2019	1,995	1,976	2,011	
				21,945	21,733	22,126	3.17%
Aspen Dental Management, Inc.							
Healthcare Services	First lien (3)	7.00% (Base Rate + 5.50%)	10/6/2016	21,023	20,791	21,089	3.03%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien (3)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,739	20,363	2.92%
American Pacific Corporation**							
Specialty Chemicals and Materials	First lien (3)	7.00% (Base Rate + 6.00%)	2/27/2019	16,000	15,881	16,180	
	First lien (2)	7.00% (Base Rate + 6.00%)	2/27/2019	4,000	3,970	4,045	
				20,000	19,851	20,225	2.90%
First American Payment Systems, L.P.							
Business Services	Second lien (3)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,667	20,200	2.90%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien (2)	9.75% (Base Rate + 8.75%)	11/4/2021	20,000	19,613	20,150	2.89%
ARSloane Acquisition, LLC							
Business Services	First lien (3)	7.50% (Base Rate + 6.25%)	10/1/2019	19,900	19,714	20,037	2.87%
Distribution International, Inc.							
Distribution & Logistics	First lien (2)	7.50% (Base Rate + 6.50%)	7/16/2019	19,850	19,491	19,899	2.85%
eResearchTechnology, Inc.							
Healthcare Services	First lien (3)	6.00% (Base Rate + 4.75%)	5/2/2018	19,701	19,034	19,824	2.84%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien (3)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,799	19,117	2.74%
Acrisure, LLC							
Business Services	Second lien (2)	11.50% (Base Rate + 10.50%)	3/9/2020	17,675	17,500	17,498	2.51%
St. George's University Scholastic Services LLC							
Education	First lien (3)	8.50% (Base Rate + 7.00%)	12/20/2017	15,939	15,689	16,078	2.31%
MailSouth, Inc.							
Media	First lien (3)	6.76% (Base Rate + 4.96%)	12/14/2016	17,723	16,884	15,951	2.29%
Ascend Learning, LLC							
Education	First lien (3)	6.00% (Base Rate + 5.00%)	7/31/2019	14,963	14,889	15,187	2.18%
Confie Seguros Holding II Co.							
Consumer Services	Second lien (3)	10.25% (Base Rate + 9.00%)	5/8/2019	14,886	14,766	15,016	2.15%
Smile Brands Group Inc.							
Healthcare Services	First lien (3)	7.50% (Base Rate + 6.25%)	8/16/2019	14,428	14,240	14,495	2.08%
Brock Holdings III, Inc.							
Industrial Services	Second lien (2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,843	14,224	2.04%
Vision Solutions, Inc.							
Software	Second lien (2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,957	14,140	2.03%
Packaging Coordinators, Inc. (10)							
Healthcare Products	Second lien (2)	9.50% (Base Rate + 8.25%)	11/10/2020	14,000	13,872	14,100	2.02%
Asurion, LLC (fka Asurion Corporation)							
Business Services	Second lien (2)	8.50% (Base Rate + 7.50%)	3/3/2021	10,000	9,851	10,348	1.48%
Vertafore, Inc.							
Software	Second lien (2)	9.75% (Base Rate + 8.25%)	10/27/2017	10,000	9,941	10,216	1.47%

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

March 31, 2014
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Vitera Healthcare Solutions, LLC							
Software	First lien (3)	6.00% (Base Rate + 5.00%)	11/4/2020	$ 1,995	$ 1,976	$ 1,991	
	Second lien (3)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,899	7,105	
				8,995	8,875	9,096	1.30%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (3)	7.50% (Base Rate + 6.00%)	4/21/2017	10,287	10,185	9,027	1.30%
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (3)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,826	8,910	1.28%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien (3)	7.25% (Base Rate + 5.50%)	12/22/2016	13,528	13,429	8,455	1.21%
Physio-Control International, Inc.							
Healthcare Products	First lien (3)	9.88%	1/15/2019	6,651	6,651	7,499	1.08%
Alion Science and Technology Corporation							
Federal Services	First lien (2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	6,447	6,378	6,365	0.91%
Immucor, Inc.							
Healthcare Services	Subordinated (3)(7)	11.13%	8/15/2019	3,000	2,962	3,405	
	Subordinated (2)(7)	11.13%	8/15/2019	2,000	1,988	2,270	
				5,000	4,950	5,675	0.82%
Learning Care Group (US), Inc.							
Education	Subordinated (2)	15.00% PIK*	5/8/2020	4,371	4,228	4,371	
	Subordinated (2)	15.00% PIK*	5/8/2020	800	745	800	
				5,171	4,973	5,171	0.74%
Education Management LLC**							
Education	First lien (3)	8.25% (Base Rate + 7.00%)	3/30/2018	4,990	4,881	4,665	0.67%
GCA Services Group, Inc.							
Business Services	Second lien (2)	9.25% (Base Rate + 8.00%)	11/1/2020	4,000	3,965	4,059	0.58%
CRC Health Corporation							
Healthcare Services	Second lien (2)	9.00% (Base Rate + 8.00%)	9/28/2021	4,000	3,920	3,920	0.56%
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated (2)	9.63%	12/1/2018	3,500	3,503	3,684	0.53%
Synarc-Biocore Holdings, LLC							
Healthcare Services	Second lien (2)	9.25% (Base Rate + 8.25%)	3/10/2022	2,500	2,475	2,475	0.36%
ATI Acquisition Company (fka Ability Acquisition, Inc.) (11)							
Education	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (5)*	6/30/2012 - Past Due	1,665	1,434	233	
	First lien (2)	17.25% (Base Rate + 10.00% + 4.00% PIK) (5)*	6/30/2012 - Past Due	103	94	103	
				1,768	1,528	336	0.05%
Total Funded Debt Investments - United States				**$ 1,057,063**	**$ 1,042,948**	**$ 1,057,883**	**151.74%**
Total Funded Debt Investments				**$ 1,111,060**	**$ 1,096,247**	**$ 1,113,396**	**159.71%**
Equity - Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Information Technology	Ordinary shares (2)	—	—	156,247	$ 65	$ 33	
	Preferred shares (2)	—	—	35,558	15	8	
					80	41	0.01%
Total Shares - Bermuda					**$ 80**	**$ 41**	**0.01%**
Equity - United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares (2)	12.00% (10.00% + 2.00% PIK)*	—	35,191	$ 35,191	$ 35,191	5.04%
Black Elk Energy Offshore Operations, LLC							
Energy	Preferred shares (2)	17.00%	—	20,000,000	20,000	20,000	2.87%
Global Knowledge Training LLC							
Education	Ordinary shares (2)	—	—	2	—	3	
	Preferred shares (2)	—	—	2,423	—	3,809	
					—	3,812	0.55%
Packaging Coordinators, Inc. (10)							
Packaging Coordinators Holdings, LLC							
Healthcare Products	Ordinary shares (2)	—	—	19,427	636	755	0.11%

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Ancora Acquisition LLC (11)							
Education	Preferred shares (2)	—	—	372	$ 83	$ 83	0.01%
Total Shares - United States					**$ 55,910**	**$ 59,841**	**8.58%**
Total Shares					**$ 55,990**	**$ 59,882**	**8.59%**
Warrants - United States							
Learning Care Group (US), Inc.							
Education	Warrants (2)	—	—	844	$ 194	$ 561	
	Warrants (2)	—	—	3,589	61	2,384	
					255	2,945	0.42%
YP Holdings LLC (8)							
YP Equity Investors LLC							
Media	Warrants (2)	—	—	5	—	2,105	0.30%
UniTek Global Services, Inc.							
Business Services	Warrants (2)	—	—	1,014,451 (6)	1,449	1,867	0.27%
Storapod Holding Company, Inc.							
Consumer Services	Warrants (2)	—	—	360,129	156	530	0.08%
Alion Science and Technology Corporation							
Federal Services	Warrants (2)	—	—	6,000	293	94	0.01%
Ancora Acquisition LLC (11)							

Education	Warrants (2)	—	—	20	—	—	0.00%
Total Warrants - United States					**$ 2,153**	**$ 7,541**	**1.08%**
Total Funded Investments					**$ 1,154,390**	**$ 1,180,819**	**169.38%**
Unfunded Debt Investments - United States							
MailSouth, Inc.							
Media	First lien (2)(9) - Undrawn	—	12/14/2015	$ 1,900	$ (181)	$ (266)	(0.04)%
Aspen Dental Management, Inc.							
Healthcare Services	First lien (2)(9) - Undrawn	—	4/6/2016	5,000	(388)	(347)	(0.05)%
Total Unfunded Debt Investments				**$ 6,900**	**$ (569)**	**$ (613)**	**(0.09)%**
Total Investments					**$ 1,153,821**	**$ 1,180,206**	**169.29%**

(1) New Mountain Finance Holdings, L.L.C. (the "Operating Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Operating Company as the Borrower and Collateral Administrator, Wells Fargo Securities, L.L.C. as the Administrative Agent, and Wells Fargo Bank, NA, as the Collateral Custodian. See Note 7, *Borrowing Facilities*, for details.

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

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

(5) Investment is on non-accrual status.

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

(7) Securities are registered under the Securities Act.

(8) The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC, a subsidiary of YP Holdings LLC.

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

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

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

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

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

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

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

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

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

Investment Type	**March 31, 2014** **Percent of Total Investments at Fair Value**
First lien	49.13%
Second lien	43.93%
Subordinated	1.23%
Equity and other	5.71%
Total investments	100.00%

Industry Type	**March 31, 2014** **Percent of Total Investments at Fair Value**
Software	21.11%
Education	20.49%
Business Services	13.63%
Distribution & Logistics	10.30%
Healthcare Services	7.40%

Federal Services	6.50%
Energy	5.99%
Media	5.50%
Healthcare Products	3.51%
Specialty Chemicals and Materials	1.71%
Consumer Services	1.32%
Industrial Services	1.20%
Healthcare Information Technology	0.72%
Information Technology	0.62%
Total investments	100.00%

Interest Rate Type	March 31, 2014 Percent of Total Investments at Fair Value
Floating rates	85.64%
Fixed rates	14.36%
Total investments	100.00%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

December 31, 2013
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Funded Debt Investments—Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien(2)(7)	12.00%	3/29/2015	$ 6,497	$ 6,335	$ 6,529	0.95%
Total Funded Debt Investments—Bermuda				$ 6,497	$ 6,335	$ 6,529	0.95%
Funded Debt Investments—Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien(2)	10.50% (Base Rate + 9.25%)	7/30/2020	$ 30,000	$ 29,472	$ 30,362	4.41%
Total Funded Debt Investments—Cayman Islands				$ 30,000	$ 29,472	$ 30,362	4.41%
Funded Debt Investments—United States							
McGraw-Hill Global Education Holdings, LLC							
Education	First lien(2)	9.75%	4/1/2021	$ 24,500	$ 24,348	$ 27,195	
	First lien(3)	9.00% (Base Rate + 7.75%)	3/22/2019	17,850	17,367	18,225	
				42,350	41,715	45,420	6.60%
Deltek, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	10/10/2019	41,000	40,977	41,820	6.07%
Global Knowledge Training LLC							
Education	Second lien(2)	11.00% (Base Rate + 9.75%)	10/21/2018	41,450	41,070	41,450	6.02%
UniTek Global Services, Inc.							
Business Services	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	26,382	25,508	26,382	
	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	6,387	6,176	6,387	
	First lien(2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	5,309	5,133	5,309	
				38,078	36,817	38,078	5.53%
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien(3)	5.50% (Base Rate + 4.50%)	5/17/2018	6,433	6,240	6,465	
	Second lien(2)	11.25% (Base Rate + 9.75%)	5/17/2019	31,150	30,685	31,578	
				37,583	36,925	38,043	5.52%
SRA International, Inc.							
Federal Services	First lien(2)	6.50% (Base Rate + 5.25%)	7/20/2018	34,750	33,784	34,475	5.01%
Kronos Incorporated							
Software	Second lien(2)	9.75% (Base Rate + 8.50%)	4/30/2020	31,341	31,055	32,542	4.73%
Rocket Software, Inc.							
Software	Second lien(2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,731	31,029	4.51%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation)							
Software	First lien(3)	7.25% (Base Rate + 5.75%)	11/22/2017	6,951	6,847	7,080	
	Second lien(2)	11.00% (Base Rate + 9.50%)	11/22/2018	23,353	22,780	22,876	
				30,304	29,627	29,956	4.35%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2013
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
JHCI Acquisition, Inc.							

Distribution & Logistics	First lien(3)	7.00% (Base Rate + 5.75%)	7/11/2019	$ 19,536	$ 19,262	$ 19,548	
	Second lien(3)	11.00% (Base Rate + 9.75%)	7/11/2020	10,000	9,705	9,898	
				29,536	28,967	29,446	4.28%
CompassLearning, Inc.(12)							
Education	First lien(2)	8.00% (Base Rate + 6.75%)	11/26/2018	30,000	29,261	29,250	4.25%
Transtar Holding Company							
Distribution & Logistics	Second lien(2)	9.75% (Base Rate + 8.50%)	10/9/2019	28,300	27,842	27,168	3.95%
KeyPoint Government Solutions, Inc.							
Federal Services	First lien(3)	7.25% (Base Rate + 6.00%)	11/13/2017	16,784	16,448	16,616	
	First lien(2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,116	9,953	10,015	
				26,900	26,401	26,631	3.87%
Meritas Schools Holdings, LLC							
Education	First lien(3)	7.00% (Base Rate + 5.75%)	6/25/2019	19,950	19,763	20,087	
	First lien(2)	7.00% (Base Rate + 5.75%)	6/25/2019	5,920	5,865	5,961	
				25,870	25,628	26,048	3.78%
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien(2)	12.25%	12/15/2018	25,000	25,000	25,000	3.63%
Permian Tank & Manufacturing, Inc.							
Energy	First lien(2)	10.50%	1/15/2018	24,500	24,757	24,255	3.52%
Aderant North America, Inc.							
Software	Second lien(2)	10.00% (Base Rate + 8.75%)	6/20/2019	22,500	22,201	23,203	3.37%
YP Holdings LLC(8)							
YP LLC							
Media	First lien(2)	8.04% (Base Rate + 6.71%)	6/4/2018	22,400	21,892	22,722	3.30%
McGraw-Hill School Education Holdings, LLC							
Education	First lien(3)	6.25% (Base Rate + 5.00%)	12/18/2019	13,000	12,870	12,870	
	First lien(2)	6.25% (Base Rate + 5.00%)	12/18/2019	9,000	8,910	8,910	
				22,000	21,780	21,780	3.16%
Aspen Dental Management, Inc.							
Healthcare Services	First lien(3)	7.00% (Base Rate + 5.50%)	10/6/2016	21,077	20,820	20,813	3.02%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.)							
Business Services	Second lien(3)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,731	20,308	2.95%
Envision Acquisition Company, LLC							
Healthcare Services	Second lien(2)	9.75% (Base Rate + 8.75%)	11/4/2021	20,000	19,605	20,075	2.91%
ARSloane Acquisition, LLC							
Business Services	First lien(3)	7.50% (Base Rate + 6.25%)	10/1/2019	19,950	19,754	19,992	2.90%
eResearchTechnology, Inc.							
Healthcare Services	First lien(3)	6.00% (Base Rate + 4.75%)	5/2/2018	19,750	19,047	19,874	2.89%
Distribution International, Inc.							
Distribution & Logistics	First lien(2)	7.50% (Base Rate + 6.50%)	7/16/2019	19,900	19,527	19,813	2.88%

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

December 31, 2013
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
First American Payment Systems, L.P.							
Business Services	Second lien(3)	10.75% (Base Rate + 9.50%)	4/12/2019	$ 20,000	$ 19,654	$ 19,800	2.88%
Merrill Communications LLC							
Business Services	First lien(3)	7.25% (Base Rate + 6.25%)	3/8/2018	19,425	19,246	19,759	2.87%
Insight Pharmaceuticals LLC							
Healthcare Products	Second lien(3)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,766	19,021	2.76%
St. George's University Scholastic Services LLC							
Education	First lien(3)	8.50% (Base Rate + 7.00%)	12/20/2017	17,379	17,082	17,530	2.55%
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien(3)	7.50% (Base Rate + 6.00%)	4/21/2017	18,316	18,127	16,118	2.34%
Confie Seguros Holding II Co.							
Consumer Services	Second lien(3)	10.25% (Base Rate + 9.00%)	5/8/2019	14,886	14,762	15,034	2.18%
OpenLink International, Inc.							
Software	First lien(3)	7.75% (Base Rate + 6.25%)	10/30/2017	14,700	14,496	14,774	2.15%
Smile Brands Group Inc.							
Healthcare Services	First lien(3)	7.50% (Base Rate + 6.25%)	8/16/2019	14,464	14,261	14,307	2.08%
Brock Holdings III, Inc.							
Industrial Services	Second lien(2)	10.00% (Base Rate + 8.25%)	3/16/2018	14,000	13,858	14,263	2.07%
Vision Solutions, Inc.							
Software	Second lien(2)	9.50% (Base Rate + 8.00%)	7/23/2017	14,000	13,957	14,140	2.05%
Packaging Coordinators, Inc.(10)							
Healthcare Products	Second lien(2)	9.50% (Base Rate + 8.25%)	11/10/2020	14,000	13,868	14,088	2.05%
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated(2)	11.00% (Base Rate + 9.50%)	9/2/2019	12,000	11,701	12,419	1.80%
Van Wagner Communications, LLC							
Media	First lien(2)	6.25% (Base Rate + 5.00%)	8/3/2018	11,761	11,583	11,997	1.74%
Vertafore, Inc.							
Software	Second lien(2)	9.75% (Base Rate + 8.25%)	10/29/2017	10,000	9,937	10,198	1.48%
TransFirst Holdings, Inc.							
Business Services	Second lien(3)	11.00% (Base Rate + 9.75%)	6/27/2018	10,000	9,741	10,138	1.47%
MailSouth, Inc.							
Media	First lien(3)	6.76% (Base Rate + 4.96%)	12/14/2016	9,410	9,333	9,269	1.35%
Vitera Healthcare Solutions, LLC							
Software	First lien(3)	6.00% (Base Rate + 5.00%)	11/4/2020	2,000	1,980	2,000	
	Second lien(2)	9.25% (Base Rate + 8.25%)	11/4/2021	7,000	6,897	7,070	
				9,000	8,877	9,070	1.32%
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien(2)	10.50% (Base Rate + 9.25%)	12/20/2019	9,000	8,820	8,820	1.28%
Consona Holdings, Inc.							
Software	First lien(3)	7.25% (Base Rate + 6.00%)	8/6/2018	8,394	8,326	8,457	1.23%
Physio-Control International, Inc.							
Healthcare Products	First lien(2)	9.88%	1/15/2019	6,651	6,651	7,482	1.09%
Virtual Radiologic Corporation							
Healthcare Information Technology	First lien(3)	7.25% (Base Rate + 5.50%)	12/22/2016	13,563	13,454	7,324	1.06%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2013
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Alion Science and Technology Corporation							
Federal Services	First lien(2)(7)	12.00% (10.00% + 2.00% PIK)*	11/1/2014	$ 6,447	$ 6,360	$ 6,570	0.95%
Immucor, Inc.							
Healthcare Services	Subordinated(2)(7)	11.13%	8/15/2019	5,000	4,950	5,650	0.82%
Learning Care Group (US), Inc.							
Education	Subordinated(2)	15.00% PIK*	5/8/2020	4,371	4,253	4,371	
	Subordinated(2)	15.00% PIK*	5/8/2020	800	746	800	
				5,171	4,999	5,171	0.75%
Education Management LLC**							
Education	First lien(3)	8.25% (Base Rate + 7.00%)	3/30/2018	5,003	4,888	5,028	0.73%
GCA Services Group, Inc.							
Business Services	Second lien(2)	9.25% (Base Rate + 8.00%)	11/1/2020	4,000	3,964	4,064	0.59%
Sophia Holding Finance LP / Sophia Holding Finance Inc.							
Software	Subordinated(2)	9.63%	12/1/2018	3,500	3,502	3,623	0.53%
ATI Acquisition Company (fka Ability Acquisition, Inc.)(11)							
Education	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012— Past Due	1,665	1,434	233	
	First lien(2)	17.25% (Base Rate + 10.00% + 4.00% PIK)(5)*	6/30/2012— Past Due	103	94	103	
				1,768	1,528	336	0.05%
Total Funded Debt Investments—United States				**$ 1,016,562**	**$ 1,001,605**	**$ 1,013,641**	**147.22%**
Total Funded Debt Investments				**$ 1,053,059**	**$ 1,037,412**	**$ 1,050,532**	**152.58%**
Equity—Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Information Technology	Ordinary shares(2)	—	—	156,247	$ 65	$ 46	
	Preferred shares(2)	—	—	35,558	15	10	
					80	56	0.01%
Total Shares—Bermuda					**$ 80**	**$ 56**	**0.01%**
Equity—United States							
Crowley Holdings Preferred, LLC							
Distribution & Logistics	Preferred shares(2)	12.00% (10.00% + 2.00% PIK)*	—	35,000	$ 35,000	$ 35,000	5.08%
Black Elk Energy Offshore Operations, LLC							
Energy	Preferred shares(2)	17.00%	—	20,000,000	20,000	20,000	2.91%
Global Knowledge Training LLC							
Education	Ordinary shares(2)	—	—	2	—	3	
	Preferred shares(2)	—	—	2,423	—	3,006	
					—	3,009	0.44%
Packaging Coordinators, Inc.(10)							
Packaging Coordinators Holdings, LLC							
Healthcare Products	Ordinary shares(2)	—	—	19,427	1,000	1,181	0.17%

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2013
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members' Capital
Ancora Acquisition LLC(11)							
Education	Preferred shares(2)	—	—	372	$ 83	$ 83	0.01%
Total Shares—United States					**$ 56,083**	**$ 59,273**	**8.61%**
Total Shares					**$ 56,163**	**$ 59,329**	**8.62%**
Warrants—United States							
Learning Care Group (US), Inc.							
Education	Warrants(2)	—	—	844	$ 194	$ 503	
	Warrants(2)	—	—	3,589	61	2,136	
					255	2,639	0.38%
YP Holdings LLC(8)							
YP Equity Investors LLC							
Media	Warrants(2)	—	—	5	—	1,944	0.28%
UniTek Global Services, Inc.							
Business Services	Warrants(2)	—	—	1,014,451(6)	1,449	1,694	0.25%
Storapod Holding Company, Inc.							
Consumer Services	Warrants(2)	—	—	360,129	156	594	0.09%
Alion Science and Technology Corporation							
Federal Services	Warrants(2)	—	—	6,000	293	94	0.01%
Ancora Acquisition LLC(11)							
Education	Warrants(2)	—	—	20	—	—	—%
Total Warrants—United States					**$ 2,153**	**$ 6,965**	**1.01%**
Total Funded Investments					**$ 1,095,728**	**$ 1,116,826**	**162.21%**
Unfunded Debt Investments—United States							
Aspen Dental Management, Inc.							
Healthcare Services	First lien(2)(9)—Undrawn	—	4/6/2016	$ 5,000	$ (388)	$ (388)	(0.06)%
Advantage Sales & Marketing Inc.							
Business Services	First lien(2)(9)—Undrawn	—	12/17/2015	10,500	(1,260)	(787)	(0.11)%

Total Unfunded Debt Investments	**$ 15,500**	**$ (1,648)**	**$ (1,175)**	**(0.17)%**
Total Investments		**$ 1,094,080**	**$ 1,115,651**	**162.04%**

(1) New Mountain Finance Holdings, L.L.C. (the "Operating Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

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

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

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

(5) Investment is on non-accrual status.

(6) The Operating Company holds 1,014,451 warrants in UniTek Global Services, Inc., which represents a 4.46% equity ownership on a fully diluted basis.

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2013
(in thousands, except shares)

(7) Securities are registered under the Securities Act.

(8) The Operating Company holds investments in two related entities of YP Holdings LLC. The Operating Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC, a subsidiary of YP Holdings LLC.

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

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

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

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

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

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

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

New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments (Continued)

December 31, 2013

Investment Type	December 31, 2013 Percent of Total Investments at Fair Value
First lien	49.62%
Second lien	42.03%
Subordinated	2.41%
Equity and other	5.94%
Total investments	100.00%

Industry Type	December 31, 2013 Percent of Total Investments at Fair Value
Software	22.33%
Education	21.13%
Business Services	13.04%
Distribution & Logistics	10.78%
Federal Services	7.52%
Healthcare Services	7.20%
Energy	6.21%
Media	4.12%
Healthcare Products	3.74%
Consumer Services	1.40%
Industrial Services	1.28%
Healthcare Information Technology	0.66%
Information Technology	0.59%

Total investments	100.00 %

Interest Rate Type	December 31, 2013 Percent of Total Investments at Fair Value
Floating rates	85.08 %
Fixed rates	14.92 %
Total investments	100.00 %

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

New Mountain Finance Corporation

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

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $673,713 and $633,835, respectively)	$ 697,148	$ 650,107
Total assets	$ 697,148	$ 650,107
Liabilities		
Dividends payable	—	—
Total liabilities	—	—
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 authorized, none issued	—	—
Common stock, par value $0.01 per share, 100,000,000 shares authorized, and 47,968,000 and 45,224,755 shares issued and outstanding, respectively	480	452
Paid in capital in excess of par	673,233	633,383
Accumulated undistributed net realized gains	7,537	5,056
Net unrealized appreciation	15,898	11,216
Total net assets	$ 697,148	$ 650,107
Total liabilities and net assets	$ 697,148	$ 650,107
Number of shares outstanding	47,968,000	45,224,755
Net asset value per share	$ 14.53	$ 14.38

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

New Mountain Finance Corporation

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		
Interest income	$ 27,668	$ 15,496
Dividend income	2,089	—
Other income	682	185
Total expenses	(14,381)	(8,463)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	16,058	7,218
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.		
Net realized gains on investments	2,708	686
Net change in unrealized appreciation (depreciation) of investments	4,682	7,643
Net realized and unrealized gain allocated from New Mountain Finance Holdings, L.L.C.	7,390	8,329
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	23,448	15,547
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	—	(31)
Net increase in net assets resulting from operations	$ 23,448	$ 15,516
Basic earnings per share	$ 0.50	$ 0.61
Weighted average shares of common stock outstanding—basic (See Note 11)	47,066,216	25,267,118
Diluted earnings per share	$ 0.50	$ 0.60
Weighted average shares of common stock outstanding—diluted (See Note 11)	47,897,485	40,835,723

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

New Mountain Finance Corporation

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 16,058	$ 7,218
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	2,708	686
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	4,682	7,643
Net change in unrealized (depreciation) appreciation of investment in New Mountain Finance Holdings, L.L.C.	—	(31)
Total net increase in net assets resulting from operations	23,448	15,516
Capital transactions		
Net proceeds from shares sold	—	28,400
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	(55)
Value of shares issued for exchanged units	38,840	69,450
Dividends declared	(16,285)	(8,281)
Reinvestment of dividends	1,038	1,450
Total net increase in net assets resulting from capital transactions	23,593	90,964
Net increase in net assets	47,041	106,480
Net assets at beginning of period	650,107	341,926
Net assets at end of period	$ 697,148	$ 448,406

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

New Mountain Finance Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 23,448	$ 15,516
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(16,058)	(7,218)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(7,390)	(8,329)
Net change in unrealized depreciation (appreciation) of investment in New Mountain Finance Holdings, L.L.C.	—	31
(Increase) decrease in operating assets:		
Purchase of investment	—	(28,400)
Distributions from New Mountain Finance Holdings, L.L.C.	15,247	10,236
Net cash flows provided by (used in) operating activities	15,247	(18,164)
Cash flows from financing activities		
Net proceeds from shares sold	—	28,400
Dividends paid	(15,247)	(10,236)
Net cash flows (used in) and provided by financing activities	(15,247)	18,164
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	$ —	$ —
Non-cash financing activities:		
New Mountain Finance AIV Holdings Corporation exchange of New Mountain Finance Holdings, L.L.C. units for shares	$ 38,840	$ 69,450
Value of shares issued in connection with dividend reinvestment plan	1,038	1,450
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	(55)

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

New Mountain Finance AIV Holdings Corporation

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

	January 29, 2014 (end of operations) (unaudited)	December 31, 2013
Assets		
Investment in New Mountain Finance Holdings, L.L.C., at fair value (cost of $0 and $61,993, respectively)	$ —	$ 38,409
Total assets	$ —	$ 38,409
Liabilities		
Dividends payable	—	—
Total liabilities	—	—

Net assets		
Common stock, par value $0.01 per share, 100 shares issued and outstanding (See Note 14)	—	—(1)
Paid in capital in excess of par	—	61,993
Distributions in excess of net realized gains	—	(26,812)
Net unrealized appreciation (depreciation)	—	3,228
Total net assets	—	38,409
Total liabilities and net assets	$ —	$ 38,409

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

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

New Mountain Finance AIV Holdings Corporation

Statements of Operations
(in thousands)
(unaudited)

	From January 1, 2014 to January 29, 2014 (end of operations)	Three months ended March 31, 2013
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		
Interest income	$ 471	$ 9,547
Dividend income	6	—
Other income	2	90
Total expenses	(252)	(5,228)
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	227	4,409
Net realized and unrealized gain (loss) allocated from New Mountain Finance Holdings, L.L.C.		
Net realized gains on investments	72	357
Net change in unrealized appreciation (depreciation) of investments	132	4,247
Net realized and unrealized gain allocated from New Mountain Finance Holdings, L.L.C.	204	4,604
Total net increase in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.	431	9,013
Net realized losses on investment in New Mountain Finance Holdings, L.L.C.	(24,069)	(5,901)
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	23,202	4,288
Net (decrease) increase in net assets resulting from operations	$ (436)	$ 7,400

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

New Mountain Finance AIV Holdings Corporation

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

	From January 1, 2014 to January 29, 2014 (end of operations)	Three months ended March 31, 2013
Increase (decrease) in net assets resulting from operations:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	$ 227	$ 4,409
Net realized gains on investments allocated from New Mountain Finance Holdings, L.L.C.	72	357
Net change in unrealized appreciation (depreciation) of investments allocated from New Mountain Finance Holdings, L.L.C.	132	4,247
Net realized losses on investment in New Mountain Finance Holdings, L.L.C.	(24,069)	(5,901)
Net change in unrealized appreciation (depreciation) of investment in New Mountain Finance Holdings, L.L.C.	23,202	4,288
Total net (decrease) increase in net assets resulting from operations	(436)	7,400
Capital transactions		
Distribution to New Mountain Guardian AIV, L.P.	(37,973)	(67,806)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	(20)
Dividends declared	—	(5,516)
Total net decrease in net assets resulting from capital transactions	(37,973)	(73,342)
Net decrease in net assets	(38,409)	(65,942)
Net assets at beginning of period	38,409	228,013
Net assets at end of period	$ —	$ 162,071

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

New Mountain Finance AIV Holdings Corporation

Statements of Cash Flows
(in thousands)
(unaudited)

	From January 1, 2014 to January 29, 2014 (end of operations)	Three months ended March 31, 2013
Cash flows from operating activities		
Net (decrease) increase in net assets resulting from operations	$ (436)	$ 7,400
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net investment income allocated from New Mountain Finance Holdings, L.L.C.	(227)	(4,409)
Net realized and unrealized gains allocated from New Mountain Finance Holdings, L.L.C.	(204)	(4,604)
Net realized losses on investment in New Mountain Finance Holdings, L.L.C.	24,069	5,901
Net change in unrealized (appreciation) depreciation in New Mountain Finance Holdings, L.L.C.	(23,202)	(4,288)
(Increase) decrease in operating activities		
Distributions from New Mountain Finance Holdings, L.L.C.	—	(7,786)
Net cash flows provided by (used in) operating activities	—	(7,786)
Cash flows from financing activities		
Proceeds from shares sold	37,973	67,806
Distribution to New Mountain Guardian AIV, L.P.	(37,973)	(67,806)
Dividends paid	—	7,786
Net cash flows provided by financing activities	—	7,786
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	$ —	$ —
Non-cash operating activities:		
Distribution receivable from New Mountain Finance Holdings, L.L.C.	$ —	$ 5,516
Non-cash financing activities:		
Dividends declared and payable	$ —	$ (5,516)
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	(20)

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

Combined Notes to the Consolidated Financial Statements of New Mountain Finance Holdings, L.L.C., the Financial Statements of New Mountain Finance Corporation and the Financial Statements of New Mountain Finance AIV Holdings Corporation

(in thousands, except units/shares and per unit/share data)
(unaudited)

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

Note 1. Formation and Business Purpose

New Mountain Finance Holdings, L.L.C. (the "Operating Company" or the "Master Fund") is a Delaware limited liability company. The Operating Company is externally managed and has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, the Operating Company is obligated to comply with certain regulatory requirements. The Operating Company was treated as a partnership for 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, the Operating Company's existence as a partnership for U.S. federal income tax purposes terminated and the Operating Company became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes.

The Operating Company is externally managed by New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser"). New Mountain Finance Administration, L.L.C. (the "Administrator") provides the administrative services necessary for operations. The Investment Adviser and Administrator are wholly-owned subsidiaries of New Mountain Capital (defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market and with assets under management (which includes amounts committed, not all of which have been drawn down and invested to date) totaling more than $12.0 billion as of March 31, 2014, which includes total assets held by the Operating Company. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity, and credit investment vehicles. The Operating Company, formerly known as New Mountain Guardian (Leveraged), L.L.C., was originally formed as a subsidiary of New Mountain Guardian AIV, L.P. ("Guardian AIV") by New Mountain Capital in October 2008. Guardian AIV was formed through an allocation of approximately $300.0 million of the $5.1 billion of commitments supporting New Mountain Partners III, L.P., a private equity fund managed by New Mountain Capital. In February 2009, New Mountain Capital formed a co-investment vehicle, New Mountain Guardian Partners, L.P., comprising $20.4 million of commitments. New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries, are defined as the "Predecessor Entities".

New Mountain Finance Corporation ("NMFC") is a Delaware corporation that was originally incorporated on June 29, 2010. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended, (the "Code").

As of the quarter ended March 31, 2014 and until April 25, 2014, New Mountain Finance AIV Holdings Corporation ("AIV Holdings") was a Delaware corporation that was originally incorporated on March 11, 2011. Subsequent to the quarter ended March 31, 2014, AIV Holdings was dissolved on April 25, 2014, which is discussed further below. 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.

On May 19, 2011, NMFC priced its initial public offering (the “IPO”) of 7,272,727 shares of common stock at a public offering price of $13.75 per share. Concurrently with the closing of the IPO and at the public offering price of $13.75 per share, NMFC sold an additional 2,172,000 shares of its common stock to certain executives and employees of, and other individuals affiliated with, New Mountain Capital in a concurrent private placement (the “Concurrent Private Placement”). Additionally, 1,252,964 shares were issued to the partners of New Mountain Guardian Partners, L.P. at that time for their ownership interest in the Predecessor Entities. In connection with NMFC’s IPO and through a series of transactions, the Operating Company acquired all of the operations of the Predecessor Entities, including all of the assets and liabilities related to such operations.

NMFC is a holding company with no direct operations of its own, and its sole asset is its ownership in the Operating Company. Prior to the completion of the underwritten secondary public offering on February 3, 2014, AIV Holdings was a holding company with no direct operations of its own, and its sole asset was its ownership in the Operating Company. 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, of the Operating Company, pursuant to which NMFC and AIV Holdings were admitted as members of the Operating Company. NMFC acquired from the Operating Company, with the gross proceeds of the IPO and the Concurrent Private Placement, common membership units (“units”) of the Operating Company (the number of units are equal to the number of shares of NMFC’s common stock sold in the IPO and the Concurrent Private Placement). Additionally, NMFC received units of the Operating Company equal to the number of shares of common stock of NMFC issued to the partners of New Mountain Guardian Partners, L.P. Guardian AIV was the parent of the Operating Company prior to the IPO and, as a result of the transactions completed in connection with the IPO, obtained units in the Operating Company. Guardian AIV contributed its units in the Operating Company to its newly formed subsidiary, AIV Holdings, in exchange for common stock of AIV Holdings. AIV Holdings had the right to exchange all or any portion of its units in the Operating Company for shares of NMFC’s common stock on a one-for-one basis at any time.

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, 2014, NMFC raised approximately $233,468 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 the Operating Company units of the Operating Company 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 now owns 100.0% of the units of the Operating Company, which is now a wholly-owned subsidiary of NMFC.

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 at the present time. Specifically, given that AIV Holdings was formed for the sole purpose of holding units of the Operating Company and AIV Holdings has disposed of all of the units of the Operating Company 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 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 subsequent to the quarter ended March 31, 2014 and became effective upon receipt by the 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 subsequent to the quarter ended March 31, 2014, AIV Holdings is 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, subsequent to the quarter ended March 31, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings’ registration under Section 12(g) of the 1934 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.

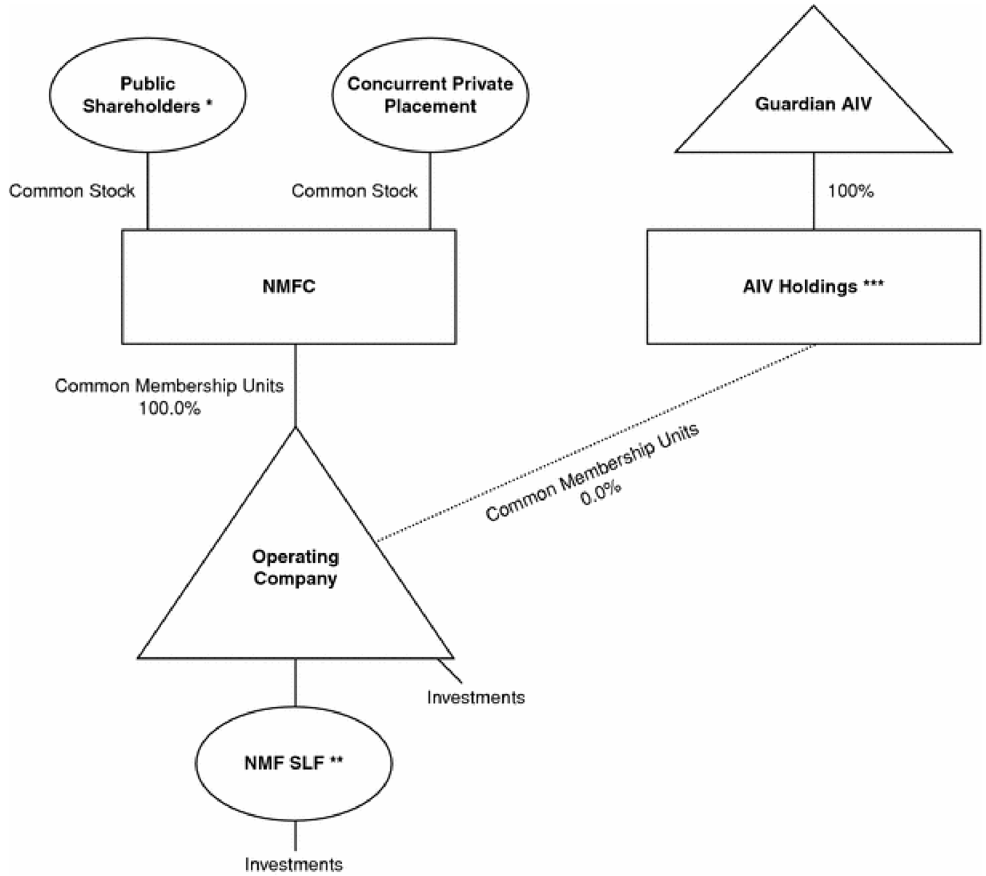
Similarly, as a BDC, the Operating Company has been subject to the 1940 Act, including certain provisions applicable only to BDCs. Accordingly, and after careful consideration of the 1940 Act requirements applicable to BDCs, the cost of 1940 Act compliance and a thorough assessment of the Operating Company’s current business model, the Operating Company’s 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 the Operating Company at the present time.

Subsequent to the quarter ended March 31, 2014, at the 2014 joint annual meeting of the stockholders of NMFC and the sole unit holder of the Operating Company, which was held on May 6, 2014, the stockholders of NMFC and the sole unit holder of the Operating Company approved a proposal which authorized the board of directors of the Operating Company to withdraw the Operating Company’s election to be regulated as a BDC. Additionally, the stockholders of NMFC approved an investment advisory and management agreement between NMFC and the

Investment Adviser. With this approval, the Operating Company’s board of directors intends to withdraw the Operating Company’s election to be regulated as a BDC under the 1940 Act and amend its Limited Liability Company Agreement, (as amended and restated, the “Operating Agreement”) such that the Operating Company will remain a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for the Operating Company’s existing credit facilities, and NMFC will assume all other operating activities previously undertaken by the Operating Company under the management of the Investment Adviser (collectively, the “Restructuring”). All of the current entities that will remain underneath NMFC after the Restructuring will be wholly-owned subsidiaries of NMFC and are expected to be 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”). In addition, the board of directors has approved and declared advisable the termination of the Operating Company’s registration under Section 12(g) of the Exchange Act.

After withdrawing the Operating Company’s election to be regulated as a BDC under the 1940 Act, the Operating Company will amend its Operating Agreement such that the board of directors of the Operating Company will be dissolved, and the Operating Company remains a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for the Operating Company’s existing credit facilities. As a special purpose entity, the Operating Company will be bankruptcy-remote and non-recourse to NMFC. In addition, the assets remaining at the Operating Company will continue to be used to secure the Operating Company’s current credit facilities.

The diagram below depicts the Companies’ organizational structure as of March 31, 2014.



* Includes partners of New Mountain Guardian Partners, L.P.
** New Mountain Finance SPV Funding, L.L.C. (“NMF SLF”).
*** Subsequent to the quarter ended March 31, 2014, AIV Holdings was dissolved on April 25, 2014.

The Operating Company’s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Operating Company’s investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

Note 2. Summary of Significant Accounting Policies

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

The Companies’ financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Operating Company’s portfolio investments are not consolidated in the financial statements. Prior to the IPO, an affiliate of the Predecessor Entities paid a majority of the management and incentive fees. Historical operating expenses do not reflect the allocation of certain professional fees, administrative and other expenses that have been incurred following the completion of the IPO. Accordingly, the Operating Company’s historical operating expenses are not comparable to its operating expenses after the completion of the IPO.

The Companies’ interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, the Companies’ interim financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period’s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2014.

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

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

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

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

a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the

materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and

b. For investments other than bonds, the Operating Company looks at the number of quotes readily available and performs the following:

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

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

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

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

b. Preliminary valuation conclusions will then be documented and discussed with the Operating Company's senior management;

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

d. When deemed appropriate by the Operating Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Companies define cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. Generally, these securities have original maturities of three months or less.

Revenue recognition

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

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

Interest income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Operating Company has loans in the portfolio that contain a payment-in-kind ("PIK") provision. PIK represents interest that is accrued and recorded as interest income at the contractual rates, added to the loan principal on the respective capitalization dates, and generally due at maturity.

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

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

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

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

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

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

With respect to the expenses incident to any registration of shares of NMFC's common stock issued in exchange for AIV Holdings' units of the Operating Company, AIV Holdings is directly responsible for the expenses of any demand

registration (including underwriters' discounts or commissions) and their pro-rata share of any "piggyback" registration expenses.

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

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

Income taxes—The Operating Company was treated as a partnership for federal income tax purposes and as such was generally not subject to federal or state and local income taxes except with respect to state source income received from underlying investments. With the completion of the underwritten secondary offering on February 3, 2014, the Operating Company's existence as a partnership for U.S. federal income tax purposes terminated and the Operating Company became an entity that is disregarded as a separate entity from its owner for U.S. federal tax purposes. The partners are individually responsible for reporting income or loss based on their respective share of the revenues and expenses. The Operating Company files United States ("U.S.") federal, state, and local income tax returns.

NMFC 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, NMFC is not subject to federal income tax on the portion of taxable income and gains timely distributed to its stockholders; therefore, no provision for income taxes has been recorded.

To continue to qualify as a RIC, NMFC 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 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.

AIV Holdings had elected to be treated, and complied with the requirements to qualify annually, as a RIC under subchapter M of the Code. As a RIC, AIV Holdings was not subject to federal income tax on the portion of taxable income and gains timely distributed to its stockholders; therefore, no provision for income taxes had been recorded.

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

For federal income tax purposes, distributions paid to stockholders of NMFC and AIV Holdings are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

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

The Companies have adopted the Income Taxes topic of the Codification ("ASC 740"). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on their analyses, the Companies have determined that there were no material uncertain income tax positions through December 31, 2013. The 2011, 2012 and 2013 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

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

Under certain circumstances, the distributions that the Operating Company made to its members may not have been sufficient for AIV Holdings to satisfy the annual distribution requirement necessary for AIV Holdings to have qualified as a RIC. In that case, it was expected that Guardian AIV would consent to be treated as if it received distributions from AIV Holdings sufficient to satisfy the annual distribution requirement. Guardian AIV was required to include the consent dividend in its taxable income as a dividend

from AIV Holdings, which could have resulted in phantom (i.e., non-cash) taxable income to Guardian AIV. AIV Holdings made quarterly distributions to Guardian AIV, its sole stockholder, out of assets legally available for distribution each quarter.

The Operating Company and NMFC are required to take certain actions in order to maintain, at all times, a one-to-one ratio between the number of units held by NMFC and the number of shares of NMFC's common stock outstanding. NMFC has adopted a dividend reinvestment plan that provides on behalf of its stockholders for reinvestment of any distributions declared, unless a stockholder elects to receive cash. Cash distributions reinvested in additional shares of NMFC's common stock will be automatically reinvested by NMFC into additional units of the Operating Company. In addition, AIV Holdings did not reinvest any distributions received from the Operating Company in additional units of the Operating Company.

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

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

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

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

Use of estimates—The preparation of the Companies' financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Companies' financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution. During the three months ended March 31, 2014, the Operating Company adjusted an accounting estimate related to the classification of dividend income for a distribution received from one of the Operating Company's warrant investments. Based on updated tax projections received during the quarter ended March 31, 2014, the Operating Company increased dividend income by $214 and reduced the realized gain by $214 to agree to the tax treatment on the investment. This resulted in a reclass from capital gains incentive fee to incentive fee of $43 for the quarter ended March 31, 2014.

Note 3. Investments

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

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 575,087	$ 579,810
Second lien	507,165	518,443
Subordinated	13,426	14,530
Equity and other	58,143	67,423
Total investments	$ 1,153,821	$ 1,180,206

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Software	$ 242,859	$ 249,167
Education	229,615	241,780
Business Services	159,051	160,876
Distribution & Logistics	119,951	121,583
Healthcare Services	84,635	87,281
Federal Services	76,743	76,669
Energy	69,742	70,739
Media	62,757	64,905
Healthcare Products	39,958	41,471
Specialty Chemical and Materials	19,851	20,225

Consumer Services		14,922		15,546
Industrial Services		13,843		14,224
Healthcare Information Technology		13,429		8,455
Information Technology		6,465		7,285
Total investments	$	1,153,821	$	1,180,206

At December 31, 2013 the Operating Company's investments consisted of the following:

Investment Cost and Fair Value by Type

		Cost		Fair Value
First lien	$	550,534	$	553,549
Second lien		460,078		468,945
Subordinated		25,152		26,863
Equity and other		58,316		66,294
Total investments	$	1,094,080	$	1,115,651

Investment Cost and Fair Value by Industry

		Cost		Fair Value
Software	$	243,158	$	249,174
Education		225,214		235,787
Business Services		140,797		145,465
Distribution & Logistics		120,156		120,247
Federal Services		84,965		83,888
Healthcare Services		78,295		80,331
Energy		69,757		69,255
Media		42,808		45,932
Healthcare Products		40,285		41,772
Consumer Services		14,918		15,628
Industrial Services		13,858		14,263
Healthcare Information Technology		13,454		7,324
Information Technology		6,415		6,585
Total investments	$	1,094,080	$	1,115,651

As of March 31, 2014, the Operating Company's two super priority first lien positions in ATI Acquisition Company remained on non-accrual status due to the inability of the portfolio company to service its interest payment for the quarter then ended and uncertainty about its ability to pay such amounts in the future. During the third quarter of 2013, the Operating Company received preferred shares and warrants in Ancora Acquisition LLC, in relation to the two super priority first lien positions in ATI Acquisition Company. As of March 31, 2014, the Operating Company's investment had an aggregate cost basis of $1,611, an aggregate fair value of $419 and total unearned interest income of $80 for the three months then ended. As of December 31, 2013, the Operating Company's total investment in ATI Acquisition Company and Ancora Acquisition LLC had an aggregate cost basis of $1,611 and an aggregate fair value of $419. As of March 31, 2014 and December 31, 2013, unrealized gains (losses) include a fee that the Operating Company would receive upon maturity of the two super priority first lien debt investments.

As of March 31, 2014, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $6,900 and $0, respectively. The Operating Company had unfunded commitments in the form of a delayed draw or other future funding commitments of $7,725 as of March 31, 2014. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of March 31, 2014.

As of December 31, 2013, the Operating Company had unfunded commitments on revolving credit facilities and bridge facilities of $15,500 and $0, respectively. The Operating Company did not have any unfunded commitments in the form of a delayed draw or other future funding commitments as of December 31, 2013. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company's Consolidated Schedule of Investments as of December 31, 2013.

Investment risk factors—First and second lien debt that the Operating Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. These 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 Operating Company. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien 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.

Note 4. Fair Value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a fair value hierarchy that prioritizes and ranks the inputs to valuation techniques used in measuring investments at fair value. The hierarchy classifies the inputs used in measuring fair value into three levels as follows:

Level I—Quoted prices (unadjusted) are available in active markets for identical investments and the Operating Company has the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by ASC 820, the Operating Company, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Operating Company holds a large position and a sale could reasonably impact the quoted price.

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

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

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

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

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

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

	Total	Level I	Level II	Level III
First lien	$ 579,810	$ —	$ 520,837	$ 58,973
Second lien	518,443	—	445,195	73,248
Subordinated	14,530	—	9,359	5,171
Equity and other	67,423	1,867	—	65,556
Total investments	$ 1,180,206	$ 1,867	$ 975,391	$ 202,948

The following table summarizes the levels in the fair value hierarchy that the Operating Company's portfolio investments fall into as of December 31, 2013:

	Total	Level I	Level II	Level III
First lien	$ 553,549	$ —	$ 525,138	$ 28,411
Second lien	468,945	—	413,407	55,538
Subordinated	26,863	—	21,692	5,171
Equity and other	66,294	1,694	—	64,600
Total investments	$ 1,115,651	$ 1,694	$ 960,237	$ 153,720

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2014, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at March 31, 2014:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2013	$ 153,720	$ 28,411	$ 55,538	$ 5,171	$ 64,600
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	1,518	1,260	—	—	258
Net change in unrealized appreciation (depreciation)	824	(517)	212	—	1,129
Purchases, including capitalized PIK and revolver fundings	48,078	30,389	17,498	—	191
Proceeds from sales and paydowns of investments	(1,192)	(570)	—	—	(622)
Fair value, March 31, 2014	$ 202,948	$ 58,973	$ 73,248	$ 5,171	$ 65,556
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 1,297	$ (44)	$ 212	$ —	$ 1,129

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2013, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Operating Company at March 31, 2013:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2012	$ 119,128	$ 42,885	$ 43,255	$ 22,891	$ 10,097
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	21	21	—	—	—
Net change in unrealized appreciation (depreciation)	1,597	(75)	848	177	647
Purchases, including capitalized PIK and revolver fundings	773	—	—	712	61
Proceeds from sales and paydowns of investments	(10,900)	(10,897)	—	—	(3)
Fair value, March 31, 2013	$ 110,619	$ 31,934	$ 44,103	$ 23,780	$ 10,802
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Operating Company at the end of the period:	$ 1,812	$ 140	$ 848	$ 177	$ 647

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three months ended March 31, 2014 and March 31, 2013. Transfers into Level III occurred as quotations obtained through pricing services were not deemed representative of fair value as of the balance sheet date and such assets were internally valued. As quotations obtained through pricing services were substantiated through additional market sources, investments were transferred out of Level III. The Operating Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

The Operating Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs.

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

transaction, public offering or subsequent sale occurs, the Operating Company will consider the pricing indicated by the external event to corroborate the private valuation.

Market Based Approach: The Operating Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies. The Operating Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, relevant risk factors, as well as size, profitability and growth expectations. The Operating Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate portfolio company enterprise value. In applying the market based approach as of March 31, 2014, the Operating Company used the relevant EBITDA ranges set forth in the table below to determine the enterprise value of investments in nine of its portfolio companies. The Operating Company believes this was a reasonable range in light of current comparable company trading levels and the specific companies involved.

Income Based Approach: The Operating Company also 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. In applying the income based approach as of March 31, 2014, the Operating Company used the discount ranges set forth in the table below to value investments in ten of its portfolio companies.

				Range		
Type	**Fair Value**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 58,973	Market approach	EBITDA multiple	5.0x	10.0x	7.6x
		Income approach	Discount rate	7.7%	13.8%	10.2%
Second lien	73,248	Market approach	EBITDA multiple	6.0x	10.0x	7.3x
		Income approach	Discount rate	10.0%	14.2%	12.0%
Subordinated	5,171	Market approach	EBITDA multiple	7.0x	9.0x	8.0x
		Income approach	Discount rate	8.4%	10.4%	9.4%
Equity and other	65,556	Market approach	EBITDA multiple	1.7x	7.8x	6.4x
		Income approach	Discount rate	8.0%	18.0%	13.9%
	$ 202,948	Black Scholes analysis	Expected life in years	2.0	4.0	2.4
			Volatility	22.6%	36.9%	29.1%
			Discount rate	0.3%	2.8%	0.7%

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) are representative of market. The carrying values of the Holdings Credit Facility and SLF Credit Facility approximate fair value as of March 31, 2014, as both facilities are continually monitored and examined by both the borrower and the lender. Both facilities were amended and restated during the year ended December 31, 2012 to lower the applicable interest rate spread by 0.25% and to increase the maximum amount of revolving borrowings available under the respective facilities. Additionally, for the year ended December 31, 2013, the Holdings Credit Facility was amended and restated to further increase the maximum amount of revolving borrowings available. See Note 7, *Borrowing Facilities*, for details. The fair value of other financial assets and liabilities approximates their carrying value based on the short term nature of these items. The fair value disclosures discussed in this paragraph are considered Level III.

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

Note 5. Agreements

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

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

The base management fee is calculated at an annual rate of 1.75% of the Operating Company's gross assets less (i) the borrowings under the SLF Credit Facility (as defined in Note 7, *Borrowing Facilities*) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Operating Company's gross assets, borrowings under the SLF Credit Facility, and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Operating Company's "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Operating Company receives from portfolio companies) accrued during the calendar quarter, minus the Operating Company's operating expenses for the quarter (including the base management fee, expenses payable under 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 membership units (of which there are none as of March 31, 2014), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Operating Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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

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

· No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").

· 100.0% of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income with respect to that portion of such Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to

2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income as if a hurdle rate did not apply when the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income exceeds 2.5% in any calendar quarter.

· 20.0% of the amount of the Operating Company's Pre-Incentive Fee Adjusted Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved.

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

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

The Operating Company has revised to expand its March 31, 2013 presentation of incentive fees on the Consolidated Statements of Assets, Liabilities and Members' Capital and the Consolidated Statements of Operations to disclose the two parts of the incentive fee incurred by the Operating Company for net investment income related incentive fees and capital gains related incentive fees.

The following table summarizes the management fees and incentive fees incurred by the Operating Company for the three months ended March 31, 2014 and March 31, 2013.

	Three months ended	
	March 31, 2014	**March 31, 2013**
Management fee	$ 4,176	$ 3,568
Incentive fee, excluding accrued capital gains incentive fees	4,443	3,458
Accrued capital gains incentive fees(1)	1,527	2,682

(1) The accrued capital gains incentive fees would be paid by the Operating Company if the Operating Company ceased operations on March 31, 2014 or March 31, 2013, respectively, and liquidated its investments at the valuations as of the respective quarter ends. Approximately $778 of capital gains incentive fees would be owed under the Investment Management Agreement if the Operating Company had ceased operations as of March 31, 2014, as cumulative net Adjusted Realized Capital Gains exceeded cumulative Adjusted Unrealized Capital Depreciation. As of March 31, 2013, no actual capital gains incentive fee was owed under the Investment Management Agreement, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

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

The following Statement of Operations for the three months ended March 31, 2014 is adjusted to reflect this step-up to fair market value.

	Three months ended March 31, 2014	Adjustments	Adjusted three months ended March 31, 2014
Investment income			
Interest income (1)	$ 28,139	$ (42)	$ 28,097
Dividend income	2,095	—	2,095
Other income	684	—	684
Total investment income	30,918	(42)	30,876
Total net expenses pre-incentive fee (2)	8,663	—	8,663
Pre-Incentive Fee Net Investment Income	22,255	(42)	22,213
Incentive fee (3)	5,970	—	5,970
Post-Incentive Fee Net Investment Income	16,285	(42)	16,243
Net realized gains (losses) on investments	2,780	(138)	2,642
Net change in unrealized appreciation of investments	4,814	180	4,994
Net increase in members' capital resulting from operations	$ 23,879		$ 23,879

(1) Includes $784 in payment-in-kind interest from investments.
(2) Includes expense waivers and reimbursements of $774.
(3) For the three months ended March 31, 2014, the Operating Company incurred total incentive fees of $5,970, of which $1,527 related to capital gains incentive fees on a hypothetical liquidation basis.

The following Statement of Operations for the three months ended March 31, 2013 is adjusted to reflect the step-up to fair market value.

	Three months ended March 31, 2013	Adjustments	Adjusted three months ended March 31, 2013
Investment income			
Interest income (1)	$ 25,043	$ (479)	$ 24,564
Other income	275	—	275
Total investment income	25,318	(479)	24,839
Total net expenses pre-incentive fee (2)	7,551	—	7,551
Pre-Incentive Fee Net Investment Income	17,767	(479)	17,288
Incentive fee (3)	6,140	—	6,140
Post-Incentive Fee Net Investment Income	11,627	(479)	11,148
Net realized gains (losses) on investments	1,044	(460)	584
Net change in unrealized appreciation of investments	11,890	939	12,829
Net increase in members' capital resulting from operations	$ 24,561		$ 24,561

(1) Includes $642 in payment-in-kind interest from investments.
(2) Includes expense waivers and reimbursements of $829.
(3) For the three months ended March 31, 2013, the Operating Company incurred total incentive fees of $6,140, of which $2,682 related to capital gains incentive fees on a hypothetical liquidation basis.

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

capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, the Administrator may, in its own discretion, submit to the Operating Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Operating Company during any quarterly period. As a result, the amount of expenses for which the Operating 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 Operating Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Operating Company in the near future.

The Operating Company has revised to expand its presentation of expenses and expense waivers and reimbursements for the three months ended March 31, 2013. Expenses were previously presented net of waivers and reimbursements, which had been included parenthetically. The expanded revised presentation shows total gross expenses with a separate reduction for expense waivers and reimbursements.

The Operating Company incurred the following expenses in excess of the expense cap for the three ended March 31, 2014 and March 31, 2013:

	Three months ended	
	March 31, 2014	March 31, 2013
Professional fees	$ 377	$ 495
Administrative expenses	397	334
Other general and administrative expenses	—	—
Total expense waivers and reimbursements	$ 774	$ 829

As of March 31, 2014 and March 31, 2013, $377 and $495, respectively, of the expense waivers and reimbursements was receivable from an affiliate.

The Companies, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, L.L.C., pursuant to which New Mountain Capital, L.L.C. has agreed to grant the Companies, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the "New Mountain" and the "New Mountain Finance" names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Companies, the Investment Adviser and the Administrator will have a right to use the "New Mountain" and "New Mountain Finance" names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Operating Company. Other than with respect to this limited license, the Companies, the Investment Adviser and the Administrator will have no legal right to the "New Mountain" or the "New Mountain Finance" names.

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

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

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

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

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

Note 6. Related Parties

The Companies have entered into a number of business relationships with affiliated or related parties. With the completion of the secondary offering on February 3, 2014, NMFC now owns 100.0% of the units of the Operating Company.

The Operating Company has entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

The Companies have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Companies and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Operating Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Companies under the Administration Agreement including rent, the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Companies' chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by the Operating Company, expenses payable to the Administrator by the Operating Company as well as other direct and indirect expenses (excluding interest, other credit facility expenses, trading expenses and management and incentive fees) have been capped at $3,500 for the time period from April 1, 2012 to March 31, 2013 and capped at $4,250 for the time period from April 1, 2013 to March 31, 2014. The expense cap expired on March 31, 2014. Thereafter, the Administrator may, in its own discretion, submit to the Operating Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Operating Company during any quarterly period. As a result, the amount of expenses for which the Operating 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 Operating Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Operating Company in the near future.

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

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with the Operating Company' investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Operating Company and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Operating Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the Securities and Exchange Commission and its staff, and consistent with the Investment Adviser's allocation procedures.

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

Note 7. Borrowing Facilities

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

The maximum amount of revolving borrowings available under the Holdings Credit Facility is $280,000, as amended on October 28, 2013. As of March 31, 2014, the Operating Company was permitted to borrow up to 45.0% or 25.0% of the purchase price of pledged first lien or non-first lien debt securities, and up to 70.0% and 45.0% of the purchase price of specified first lien debt securities and specified non-first lien debt securities, respectively, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is collateralized by all of the investments of the Operating Company on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Operating Company's Consolidated Statement of Assets, Liabilities, and Members' Capital and charged against income as other credit facility expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change in control. In addition, the Holdings Credit Facility requires the Operating Company to maintain a minimum asset coverage ratio. However, the covenants are generally not tied to mark to market fluctuations in the prices of the Operating Company's investments, but rather to the performance of the underlying portfolio companies.

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

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the Holdings Credit Facility for the three months ended March 31, 2014 and March 31, 2013.

	Three months ended	
	March 31, 2014	March 31, 2013
Interest expense	$ 1,692	$ 1,469
Non-usage fee	59	15
Weighted average interest rate	2.9%	3.0%
Average debt outstanding	$ 232,842	$ 198,900

As of March 31, 2014 and December 31, 2013, the outstanding balance on the Holdings Credit Facility was $271,825 and $221,849, respectively, and the Operating Company was not aware of any instances of non-compliance related to the Holdings Credit Facility on such dates.

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

As of March 31, 2014, the SLF Credit Facility permits borrowings of up to 70.0% of the purchase price of pledged first lien debt securities and up to 25.0% of the purchase price of specified second lien loans, of which, up to 25.0% of the aggregate

outstanding loan balance of all pledged debt securities in the SLF Credit Facility is allowed to be derived from second lien loans, subject to approval by Wells Fargo Bank, National Association, as amended on March 11, 2013.

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

The following table summarizes the interest expense and non-usage fees incurred by the Operating Company on the SLF Credit Facility for the three months ended March 31, 2014 and March 31, 2013.

	Three months ended	
	March 31, 2014	March 31, 2013
Interest expense	$ 1,201	$ 1,186
Non-usage fee	—(1)	1
Weighted average interest rate	2.2%	2.2%
Average debt outstanding	$ 214,993	$ 214,330

(1) For the three months ended March 31, 2014, the total non-usage fee was less than $1 thousand.

As of March 31, 2014 and December 31, 2013, the outstanding balance on the SLF Credit Facility was $215,000 and $214,668, respectively, and NMF SLF was not aware of any instances of non-compliance related to the SLF Credit Facility on such dates.

Leverage risk factors—The Operating Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Operating Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Operating Company's unit holders, and therefore NMFC's common stockholders, and the Operating Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Operating Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Operating Company's net asset value. Similarly, leverage may cause a sharper decline in the Operating Company's income than if the Operating Company had not borrowed. Such a decline could negatively affect the Operating Company's ability to make dividend payments to its unit holders. Leverage is generally considered a speculative investment technique. The Operating Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

Note 8. Regulation

NMFC 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, NMFC 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. NMFC, among other things, intends to make and continue to make the requisite distributions to its stockholders, which will generally relieve NMFC from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code).

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

Additionally as BDCs, the Companies must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions).

Note 9. Commitments and Contingencies

In the normal course of business, the Companies may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Operating Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments, or delayed draw commitments. As of March 31, 2014, the Operating Company had unfunded commitments on revolving credit facilities of $6,900, no outstanding bridge financing commitments and other future funding commitments of $7,725. The unfunded commitments on revolving credit facilities are disclosed on the Operating Company’s Consolidated Schedule of Investments. As of December 31, 2013, the Operating Company had unfunded commitments on revolving credit facilities of $15,500 and no outstanding bridge financing commitments or other future funding commitments, all of which are disclosed on the Operating Company’s Consolidated Schedule of Investments.

The Operating Company also has revolving borrowings available under the Holdings Credit Facility and the SLF Credit Facility as of March 31, 2014. See Note 7, *Borrowing Facilities*, for details.

The Operating Company may from time to time enter into financing commitment letters. As of March 31, 2014 and December 31, 2013, the Operating Company did not enter into any commitment letters to purchase debt investments, which could require funding in the future.

Note 10. Stockholders’ Equity

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

	Common Stock		Paid in Capital in Excess of Par	Undistributed Net Investment Income	Accumulated Undistributed Net Realized Gains (Losses)	Net Unrealized Appreciation (Depreciation)	Total Stockholders’ Equity
	Shares	Par Amount					
Balance at December 31, 2013	45,224,755	$ 452	$ 633,383	$ —	$ 5,056	$ 11,216	$ 650,107
Issuances of common stock	2,743,245	28	39,850	—	—	—	39,878
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	—	—	—	—	—	—
Dividends declared	—	—	—	(16,058)	(227)	—	(16,285)
Net increase in stockholders’ equity resulting from operations	—	—	—	16,058	2,708	4,682	23,448
Balance at March 31, 2014	47,968,000	$ 480	$ 673,233	$ —	$ 7,537	$ 15,898	$ 697,148

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

	Common Stock		Paid in Capital in Excess of Par	Undistributed Net Investment Income	Distributions In Excess of Net Realized (Losses) Gains	Net Unrealized Appreciation (Depreciation)	Total Stockholders’ Equity
	Shares	Par Amount					
Balance at December 31, 2013	100	$ —(1)	$ 61,993	$ —	$ (26,812)	$ 3,228	$ 38,409
Deferred offering costs allocated from New Mountain Finance Holdings, L.L.C.	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	—
Distribution to New Mountain Guardian AIV, L.P.	—	—	(61,993)	(227)	50,809	(26,562)	(37,973)
Net increase (decrease) in stockholders’ equity resulting from operations	—	—	—	227	(23,997)	23,334	(436)
Balance at January 29, 2014 (end of operations)	100(2)	$ —	$ —	$ —	$ —	$ —	$ —

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

(2) Subsequent to the quarter ended March 31, 2014, AIV Holdings was dissolved on April 25, 2014. See Note 14*Subsequent Events*, for details.

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in NMFC's net assets per share resulting from operations for the three months ended March 31, 2014 and March 31, 2013:

	Three months ended	
	March 31, 2014	March 31, 2013
Numerator for basic earnings per share:	$ 23,448	$ 15,516
Denominator for basic weighted average share:	47,066,216	25,267,118
Basic earnings per share:	$ 0.50	$ 0.61
Numerator for diluted earnings per share(a):	$ 23,879	$ 24,561
Denominator for diluted weighted average share(b):	47,897,485	40,835,723
Diluted earnings per share:	$ 0.50	$ 0.60

(a) Includes the full income at the Operating Company for the period.
(b) Assumes all AIV Holdings units in the Operating Company were exchanged for public shares of NMFC during the three months ended March 31, 2013 (see Note 1, *Formation and Business Purpose*).

Note 12. Financial Highlights

The following information sets forth the financial highlights for the Operating Company for the respective three months ended March 31, 2014 and March 31, 2013.

	Three months ended	
	March 31, 2014	March 31, 2013
Total return based on net asset value (a)	3.47 %	4.26 %
Average net assets for the period	$ 696,779	$ 579,794
Ratio to average net assets (b):		
Net investment income	9.48 %	8.13 %
Total expenses (gross)	8.97 %	10.16 %
Total expenses (net of reimbursable expenses)	8.52 %	9.58 %
Net assets, end of period	$ 697,148	$ 610,478
Average debt outstanding—Holdings Credit Facility	$ 232,842	$ 198,900
Average debt outstanding—SLF Credit Facility	$ 214,993	$ 214,330
Weighted average common membership units outstanding for the period	47,897,485	40,835,723
Asset coverage ratio	243.20 %	241.92 %
Portfolio turnover	8.77 %	8.18 %

(a) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the respective periods. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
(b) Ratio to average net assets has been annualized.

	Three months ended	
	March 31, 2014	March 31, 2013
Per unit data for the Operating Company (a):		
Net asset value, January 1, 2014 and January 1, 2013, respectively	$ 14.38	$ 14.06
Net investment income	0.34	0.28
Net realized and unrealized gains (losses)	0.15	0.31
Dividends from net investment income	(0.34)	(0.34)
Net increase in net assets resulting from operations	0.15	0.25
Net asset value, March 31, 2014 and March 31, 2013, respectively	$ 14.53	$ 14.31

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

The following information sets forth the financial highlights for NMFC for the three months ended March 31, 2014 and March 31, 2013. The ratios to average net assets have been annualized.

	Three months ended	
	March 31, 2014	March 31, 2013
Per share data (a):		
Net asset value, January 1, 2014 and January 1, 2013, respectively	$ 14.38	$ 14.06
Net increase (decrease) in net assets resulting from operations allocated from New Mountain Finance Holdings, L.L.C.:		
Net investment income	0.34	0.28
Net realized and unrealized gains (losses)	0.15	0.31
Total net increase	0.49	0.59
Dividends declared	(0.34)	(0.34)
Net asset value, March 31, 2014 and March 31, 2013, respectively	$ 14.53	$ 14.31
Per share market value, March 31, 2014 and March 31, 2013, respectively	$ 14.55	$ 14.62
Total return based on market value (b)	(1.00)%	0.40 %

Total return based on net asset value (c)		3.47 %		4.26 %
Shares outstanding at end of period		47,968,000		31,324,660
Average weighted shares outstanding for the period		47,066,216		25,267,118
Average net assets for the period	$	684,700	$	358,939
Ratio to average net assets (d):				
Total expenses allocated from New Mountain Finance Holdings, L.L.C.		8.52 %		9.58 %
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		9.48 %		8.13 %

(a) Per share data is based on the summation of the per share results of operations items over the outstanding shares for the period in which the respective line items were realized or earned.

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

(c) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

(d) Ratio to average net assets for the three months ended March 31, 2014 and March 31, 2013 is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

The following information sets forth the financial highlights for AIV Holdings for January 1, 2014 to January 29, 2014 (end of operations) and for the three months ended March 31, 2013. The ratios to average net assets have been annualized for the three months ended March 31, 2013.

		From January 1, 2014 to January 29, 2014 (end of operations)		Three months ended March 31, 2013
Total return based on net asset value (a)		(1.14)%		3.24 %
Average net assets for the period	$	37,486	$	220,855
Ratio to average net assets (b):				
Total expenses allocated from New Mountain Finance Holdings, L.L.C.		8.46 %		9.58 %
Net investment income allocated from New Mountain Finance Holdings, L.L.C.		7.62 %		8.13 %

(a) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at net asset value on the last day of the respective quarter.

(b) Ratio to average net assets is based on the summation of the results of operations items over the net assets for the period in which the respective line items were realized or earned.

Note 13. Recent Accounting Standards Updates

In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-08, Financial Services—Investment Companies (Topic 946)—Amendments to the Scope, Measurement and Disclosure Requirements ("ASU 2013-08"), which contains new guidance on assessing whether an entity is an investment company, requiring non-controlling ownership interests in investment companies to be measured at fair value and requiring certain additional disclosures. ASU 2013-08 is effective for interim and annual periods beginning after December 15, 2013. The adoption of ASU 2013-08 is not expected to have a material impact on the Companies' financial statements.

Note 14. Subsequent Events

On April 15, 2014, NMFC completed a public offering of 3,500,000 shares of its common stock at a public offering price of $14.30 per share, which resulted in net proceeds of $50,995, or $14.57 per share. NMFC's Investment Adviser agreed to pay the underwriting discounts and commissions in connection with this offering and an additional supplemental payment to the underwriters of $945, or $0.27 per share, which reflects the difference between the public offering price and the proceeds per share received by NMFC. In connection with the public offering, the underwriters purchased an additional 525,000 shares of NMFC's common stock with the exercise of the overallotment option to purchase up to an additional 525,000 shares of NMFC's common stock, resulting in additional net proceeds of $7,649. NMFC's Investment Adviser agreed to pay the underwriting discounts and commissions in connection with this excercise of the overallotment option and an additional supplemental payment to the underwriters of $142, or $0.27 per share, which reflects the difference between the public offering price and the proceeds per share received by NMFC in this excercise of the overallotment option.

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 subsequent to the quarter ended March 31, 2014 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 subsequent to the quarter ended March 31, 2014, AIV Holdings is 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, subsequent to the quarter ended March 31, 2014, AIV Holdings filed a Form 15 with the SEC to terminate AIV Holdings' registration under Section 12(g) of the 1934 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.

Similarly, as a BDC, the Operating Company has 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 the Operating Company's current business model, the Operating Company's 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 the Operating Company at the present time.

At the 2014 joint annual meeting of the stockholders of NMFC and the sole unit holder of the Operating Company, which was held on May 6, 2014, the stockholders of NMFC and the sole unit holder of the Operating Company approved a proposal which authorized the board of directors of the Operating Company to withdraw the

Operating Company's election to be regulated as a BDC. Additionally, the stockholders of NMFC approved an investment advisory and management agreement between NMFC and the Investment Adviser. With this approval, the Operating Company's board of directors intends to withdraw the Operating Company's election to be regulated as a BDC under the 1940 Act and amend its Operating Agreement such that the Operating Company will remain a whollyowned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for the Operating Company's existing credit facilities, and NMFC will assume all other operating activities previously undertaken by the Operating Company under the management of the Investment Adviser (collectively, the "Restructuring"). All of the current entities that will remain underneath NMFC after the Restructuring will be wholly-owned subsidiaries of NMFC and are expected to be consolidated with NMFC for both 1940 Act and financial statement reporting purposes, subject to any financial statement adjustments required in accordance with GAAP. In addition, the board of directors has approved and declared advisable the termination of the Operating Company's registration under Section 12(g) of the Exchange Act.

After withdrawing the Operating Company's election to be regulated as a BDC under the 1940 Act, the Operating Company will amend its Operating Agreement such that the board of directors of the Operating Company will be dissolved, and the Operating Company remains a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for the Operating Company's existing credit facilities. As a special purpose entity, the Operating Company will be bankruptcy-remote and non-recourse to NMFC. In addition, the assets remaining at the Operating Company will continue to be used to secure the Operating Company's current credit facilities.

On May 6, 2014, the Operating Company's board of directors, and subsequently NMFC's board of directors, declared a second quarter 2014 distribution of $0.34 per unit/share payable on June 30, 2014 to holders of record as of June 16, 2014.

On May 6, 2014, the Operating Company entered into a thirteenth amendment to the Holdings Credit Facility and NMF SLF entered into a thirteenth amendment to the SLF Credit Facility, both of which permit the Operating Company to withdraw the Operating Company's election to be regulated as a BDC under the 1940 Act and to amend its Operating Agreement such that the Operating Company will remain a wholly-owned subsidiary of NMFC with the sole purpose of serving as a special purpose vehicle for the Holdings Credit Facility and SLF Credit Facility.