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New Mountain Finance Corp  
Form 10-Q  
November 07, 2018

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarter Ended September 30, 2018

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 (the "Exchange Act") 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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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

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

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

Description	Shares as of November 7, 2018
Common stock, par value \$0.01 per share	76,106,372

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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)

	September 30, 2018	December 31, 2017
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,754,348 and \$1,438,889, respectively)	\$ 1,755,572	\$ 1,462,182
Non-controlled/affiliated investments (cost of \$178,262 and \$180,380, respectively)	190,569	178,076
Controlled investments (cost of \$328,406 and \$171,958, respectively)	348,618	185,402
Total investments at fair value (cost of \$2,261,016 and \$1,791,227, respectively)	2,294,759	1,825,660
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	25,200	25,212
Cash and cash equivalents	146,345	34,936
Interest and dividend receivable	49,964	31,844
Receivable from unsettled securities sold	1,283	—
Receivable from affiliates	295	343
Other assets	3,928	10,023
Total assets	\$ 2,521,774	\$ 1,928,018
Liabilities		
Borrowings		
Holdings Credit Facility	\$ 465,963	\$ 312,363
Unsecured Notes	335,000	145,000
Convertible Notes	270,329	155,412
SBA-guaranteed debentures	165,000	150,000
NMFC Credit Facility	135,000	122,500
Deferred financing costs (net of accumulated amortization of \$20,646 and \$16,578, respectively)	(16,906)	(15,777)
Net borrowings	1,354,386	869,498
Payable for unsettled securities purchased	80,781	—
Management fee payable	16,058	7,065
Incentive fee payable	13,210	6,671
Interest payable	8,919	5,107
Deferred tax liability	1,880	894
Payable to affiliates	988	863
Other liabilities	12,022	2,945
Total liabilities	1,488,244	893,043
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, 76,106,372 and 75,935,093 shares issued and outstanding, respectively	761	759
Paid in capital in excess of par	1,055,796	1,053,468
Accumulated undistributed net investment income	40,227	39,165

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Accumulated undistributed net realized losses on investments	(79,830	) (76,681	)
Net unrealized appreciation (depreciation) (net of provision for taxes of \$1,880 and \$894, respectively)	16,576	18,264	
Total net assets	\$ 1,033,530	\$ 1,034,975	
Total liabilities and net assets	\$ 2,521,774	\$ 1,928,018	
Number of shares outstanding	76,106,372	75,935,093	
Net asset value per share	\$ 13.58	\$ 13.63	

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

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## New Mountain Finance Corporation

## Consolidated Statements of Operations

(in thousands, except shares and per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Investment income				
From non-controlled/non-affiliated investments:				
Interest income	\$38,332	\$38,511	\$112,278	\$107,905
Dividend income	—	—	486	159
Non-cash dividend income	1,491	59	4,254	72
Other income	4,669	1,196	8,550	5,545
From non-controlled/affiliated investments:				
Interest income	817	718	1,129	2,077
Dividend income	787	816	2,423	2,662
Non-cash dividend income	4,024	3,994	12,050	8,625
Other income	315	294	1,529	888
From controlled investments:				
Interest income	1,771	409	4,342	1,293
Dividend income	5,925	3,659	14,755	11,739
Non-cash dividend income	1,721	1,342	4,683	3,016
Other income	617	238	1,477	581
Total investment income	60,469	51,236	167,956	144,562
Expenses				
Incentive fee	6,780	6,573	19,644	18,430
Management fee	10,018	8,422	28,011	24,311
Interest and other financing expenses	14,759	9,509	38,873	26,930
Professional fees	2,053	819	3,455	2,391
Administrative expenses	846	652	2,607	2,022
Other general and administrative expenses	437	346	1,365	1,214
Total expenses	34,893	26,321	93,955	75,298
Less: management and incentive fees waived (See Note 5)	(1,766)	(1,483)	(4,583)	(6,124)
Less: expenses waived and reimbursed (See Note 5)	—	—	(276)	(474)
Net expenses	33,127	24,838	89,096	68,700
Net investment income before income taxes	27,342	26,398	78,860	75,862
Income tax expense	225	106	286	341
Net investment income	27,117	26,292	78,574	75,521
Net realized gains (losses):				
Non-controlled/non-affiliated investments	3,254	(14,216)	(3,149)	(39,843)
Net change in unrealized appreciation (depreciation):				
Non-controlled/non-affiliated investments	(4,048)	19,755	(22,069)	54,365
Non-controlled/affiliated investments	829	(3,807)	10,908	(4,401)
Controlled investments	(390)	(1,305)	10,471	(1,264)
Securities purchased under collateralized agreements to resell	—	(1,549)	(12)	(2,382)
(Provision) benefit for taxes	(2)	(394)	(986)	525
Net realized and unrealized gains (losses)	(357)	(1,516)	(4,837)	7,000
Net increase in net assets resulting from operations	\$26,760	\$24,776	\$73,737	\$82,521

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Basic earnings per share	\$0.35	\$ 0.33	\$0.97	\$ 1.12
Weighted average shares of common stock outstanding - basic (See Note 11)	76,106,377	75,688,429	75,994,068	73,618,794
Diluted earnings per share	\$0.32	\$ 0.31	\$0.91	\$ 1.04
Weighted average shares of common stock outstanding - diluted (See Note 11)	89,388,999	85,512,556	86,983,697	83,442,921
Distributions declared and paid per share	\$0.34	\$ 0.34	\$1.02	\$ 1.02

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, except shares and per share data)  
(unaudited)

	Nine Months Ended	
	September 30,	September 30,
	2018	2017
Increase (decrease) in net assets resulting from operations:		
Net investment income	\$78,574	\$ 75,521
Net realized losses on investments	(3,149	) (39,843
Net change in unrealized (depreciation) appreciation of investments	(690	) 48,700
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(12	) (2,382
(Provision) benefit for taxes	(986	) 525
Net increase in net assets resulting from operations	73,737	82,521
Capital transactions		
Net proceeds from shares sold	—	81,478
Deferred offering costs	—	(172
Distributions declared to stockholders from net investment income	(77,512	) (75,132
Reinvestment of distributions	2,330	4,907
Other	—	(81
Total net (decrease) increase in net assets resulting from capital transactions	(75,182	) 11,000
Net (decrease) increase in net assets	(1,445	) 93,521
Net assets at the beginning of the period	1,034,975	938,562
Net assets at the end of the period	\$1,033,530	\$ 1,032,083
Capital share activity		
Shares sold	—	5,750,000
Shares issued from the reinvestment of distributions	171,279	299,632
Shares reissued from repurchase program in connection with the reinvestment of distributions	—	37,573
Net increase in shares outstanding	171,279	6,087,205

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)

	Nine Months Ended	
	September 30, 2018	September 30, 2017
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 73,737	\$ 82,521
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized losses on investments	3,149	39,843
Net change in unrealized (appreciation) depreciation of investments	690	(48,700 )
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	12	2,382
Amortization of purchase discount	(3,924 )	(6,458 )
Amortization of deferred financing costs	4,068	3,054
Amortization of premium on Convertible Notes	(83 )	(83 )
Non-cash investment income	(13,469 )	(6,236 )
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(1,046,015 )	(810,119 )
Proceeds from sales and paydowns of investments	599,218	542,563
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	978	339
Cash paid for purchase of drawn portion of revolving credit facilities	(11,631 )	—
Cash paid on drawn revolvers	(19,609 )	(11,387 )
Cash repayments on drawn revolvers	21,514	12,929
Interest and dividend receivable	(18,120 )	(9,967 )
Receivable from unsettled securities sold	(1,283 )	(2,506 )
Receivable from affiliates	48	7
Other assets	5,350	(2,954 )
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	80,781	64,759
Management fee payable	8,993	1,087
Incentive fee payable	6,539	828
Interest payable	3,812	2,926
Deferred tax liability	986	(525 )
Payable to affiliates	125	650
Other liabilities	9,416	585
Net cash flows used in operating activities	(294,718 )	(144,462 )
Cash flows from financing activities		
Net proceeds from shares sold	—	81,478
Distributions paid	(75,182 )	(70,225 )
Offering costs paid	—	(441 )
Proceeds from Holdings Credit Facility	382,500	435,750
Repayment of Holdings Credit Facility	(228,900 )	(393,100 )
Proceeds from Convertible Notes	115,000	—
Proceeds from Unsecured Notes	190,000	55,000
Proceeds from SBA-guaranteed debentures	15,000	22,255



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Proceeds from NMFC Credit Facility	255,000	251,100	
Repayment of NMFC Credit Facility	(242,500 )	(242,100 )	)
Deferred financing costs paid	(4,791 )	(1,456 )	)
Other	—	(81 )	)
Net cash flows provided by financing activities	406,127	138,180	
Net increase (decrease) in cash and cash equivalents	111,409	(6,282 )	)
Cash and cash equivalents at the beginning of the period	34,936	45,928	
Cash and cash equivalents at the end of the period	\$ 146,345	\$ 39,646	
Supplemental disclosure of cash flow information			
Cash interest paid	\$ 30,162	\$ 20,064	
Income taxes paid	213	175	
Non-cash operating activities:			
Non-cash activity on investments	\$ 1,346	\$ 12,858	
Non-cash financing activities:			
Value of shares issued in connection with the distribution reinvestment plan	\$ 2,330	\$ 4,347	
Value of shares reissued from repurchase program in connection with the distribution reinvestment plan	—	560	
Accrual for offering costs	335	944	
Accrual for deferred financing costs	373	158	

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

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## New Mountain Finance Corporation

## Consolidated Schedule of Investments

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien (3)	9.74% (L) + 7.50%/M)	6/1/2018	6/8/2026	\$ 19,630	\$ 19,466	\$ 19,753	
	Second lien (3)(11) - Drawn	9.74% (L) + 7.50%/M)	6/1/2018	6/8/2026	1,247	1,236	1,254	
Total Funded Debt Investments - Canada					20,877	20,702	21,007	2.03 %
Funded Debt Investments - United Kingdom					\$ 20,877	\$ 20,702	\$ 21,007	2.03 %
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (3)	9.84% (L) + 7.50%/Q)	9/25/2017	10/3/2025	\$ 43,853	\$ 43,610	\$ 43,990	4.26 %
Air Newco LLC**								
Software	First lien (2)	6.88% (L) + 4.75%/M)	5/25/2018	5/31/2024	20,176	20,127	20,377	1.97 %
Total Funded Debt Investments - United Kingdom					\$ 64,029	\$ 63,737	\$ 64,367	6.23 %
Funded Debt Investments - United States								
Benevis Holding Corp.								
Healthcare Services	First lien (2)(10)	8.51% (L) + 6.32%/M)	3/15/2018	3/15/2024	\$ 58,676	\$ 58,676	\$ 58,676	
	First lien (3)(10)	8.51% (L) + 6.32%/M)	3/15/2018	3/15/2024	20,639	20,639	20,639	

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					79,315	79,315	79,315	7.67 %
Integro Parent Inc.								
Business Services	First lien (2)	8.07% (L + 5.75%/Q)	10/9/2015	10/31/2022	51,377	51,066	51,377	
	Second lien (3)	11.57% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,927	9,950	
	First lien (3)(11) - Drawn	6.86% (L + 4.50%/Q)	6/8/2018	10/30/2021	464	461	464	
					\$61,841	\$61,454	\$61,791	5.98 %
CentralSquare Technologies, LLC								
Software	Second lien (3)	9.74% (L + 7.50%/M)	8/15/2018	8/31/2026	55,338	54,632	55,891	5.41 %
PhyNet Dermatology LLC								
Healthcare Services	First lien (2)	7.66% (L + 5.50%/M)	9/17/2018	8/16/2024	51,007	50,500	50,497	4.89 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(10)	7.89% (L + 5.50%/Q)	2/9/2018	2/9/2024	38,833	38,655	38,639	
	First lien (3)(10)(11) - Drawn	7.89% (L + 5.50%/Q)	2/9/2018	2/9/2024	10,792	10,739	10,766	
					49,625	49,394	49,405	4.78 %
Nomad Buyer, Inc.								
Healthcare Services	First lien (2)	7.10% (L + 5.00%/M)	8/3/2018	8/1/2025	49,075	47,615	47,358	4.58 %
Associations, Inc.								
Consumer Services	First lien (2)(10)	11.25% (P + 3.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	40,828	40,579	40,573	
	First lien (3)(10)(11) - Drawn	11.25% (P + 3.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	3,624	3,601	3,601	
					44,452	44,180	44,174	4.27 %
Quest Software US Holdings Inc.								
Software	Second lien (2)	10.57% (L + 8.25%/Q)	5/17/2018	5/18/2026	43,697	43,272	43,468	4.21 %

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC								
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	\$ 39,600	\$39,541	\$39,600	3.83 %
Salient CRGT Inc.								
Federal Services	First lien (2)	7.99% (L + 5.75%/M)	1/6/2015	2/28/2022	38,541	38,166	39,119	3.78 %
Frontline Technologies Group Holdings, LLC								
Education	First lien (4)(10)	8.74% (L + 6.50%/M)	9/18/2017	9/18/2023	22,443	22,299	22,443	
	First lien (2)(10)	8.74% (L + 6.50%/M)	9/18/2017	9/18/2023	16,624	16,517	16,624	
					39,067	38,816	39,067	3.78 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien (2)	7.64% (L + 5.25%/Q)	4/25/2017	4/29/2024	38,963	38,799	38,768	3.75 %
Trader Interactive, LLC								
Business Services	First lien (2)(10)	8.74% (L + 6.50%/M)	6/15/2017	6/17/2024	37,353	37,130	37,353	3.61 %
Kronos Incorporated								
Software	Second lien (2)	10.59% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,547	36,939	3.57 %
TDG Group Holding Company								
Consumer Services	First lien (2)(10)	7.89% (L + 5.50%/Q)	5/22/2018	5/31/2024	30,188	30,044	30,037	
	First lien (3)(10)(11) -	7.89% (L + 5.50%/Q)	5/22/2018	5/31/2024	3,363	3,346	3,346	

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	Drawn								
	First lien	7.74% (L +	5/22/2018	5/31/2024	2,055	2,045	2,045		
	(3)(10)	5.50%/M)							
					35,606	35,435	35,428	3.43 %	
Finalsite Holdings, Inc.									
Software	First lien (4)	7.72% (L +	9/28/2018	9/25/2024	22,500	22,331	22,331		
		5.50%/M)							
	First lien (2)	7.72% (L +	9/28/2018	9/25/2024	11,113	11,030	11,030		
		5.50%/M)							
					33,613	33,361	33,361	3.23 %	
Navicure, Inc.									
Healthcare Services	Second lien (3)	9.74% (L +	10/23/2017	10/31/2025	31,970	31,890	31,970	3.09 %	
		7.50%/M)							
iCIMS, Inc.									
Software	First lien (2)	8.64% (L +	9/12/2018	9/12/2024	31,636	31,322	31,320	3.03 %	
		6.50%/M)							
Ansira Holdings, Inc.									
Business Services	First lien (2)	7.99% (L +	12/19/2016	12/20/2022	25,725	25,629	25,661		
		5.75%/M)							
	First lien (3)	7.99% (L +	4/16/2018	12/20/2022	2,092	2,083	2,086		
		5.75%/M)							
	First lien	7.99% (L +	12/19/2016	12/20/2022	1,793	1,797	1,788		
	(3)(11) -	5.75%/M)							
	Drawn								
					29,610	29,509	29,535	2.86 %	
Brave Parent Holdings, Inc.									
Software	Second lien (5)	9.89% (L +	4/17/2018	4/17/2026	22,500	22,391	22,613		
		7.50%/Q)							
	Second lien (3)	9.89% (L +	7/18/2018	4/17/2026	6,837	6,803	6,871		
		7.50%/Q)							
					29,337	29,194	29,484	2.85 %	
Wirepath LLC Distribution & Logistics EN Engineering, LLC									
Business Services	First lien	6.74% (L +	7/31/2017	8/5/2024	27,523	27,403	27,712	2.68 %	
	(2)(10)	4.50%/M)							
	First lien	6.71% (L +	7/30/2015	6/30/2021	23,407	23,275	23,407		
	(2)(10)	4.50%/M)							
	First lien	6.71% (L +	7/30/2015	6/30/2021	1,354	1,346	1,354		
	(2)(10)	4.50%/M)							
					24,761	24,621	24,761	2.40 %	

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Keystone Acquisition Corp. Healthcare Services	First lien (2)	7.64% (L + 5.25%/Q)	5/10/2017	5/1/2024	\$ 19,800	\$19,633	\$19,936	
	Second lien (3)	11.64% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,460	4,539	
					24,300	24,093	24,475	2.37 %
SW Holdings, LLC								
Business Services	Second lien (4)(10)	11.14% (L + 8.75%/Q)	6/30/2015	12/30/2021	18,161	18,044	18,161	
	Second lien (3)(10)	11.14% (L + 8.75%/Q)	4/16/2018	12/30/2021	6,181	6,126	6,181	
					24,342	24,170	24,342	2.36 %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(10)	7.00% (L + 4.75%/M)	8/4/2015	8/4/2022	17,451	17,344	17,451	
	First lien (4)(10)	7.00% (L + 4.75%/M)	6/16/2017	8/4/2022	4,543	4,525	4,543	
	First lien (2)(10)	7.00% (L + 4.75%/M)	9/25/2017	8/4/2022	1,152	1,148	1,152	
	First lien (4)(10)	7.00% (L + 4.75%/M)	9/25/2017	8/4/2022	507	505	507	
					23,653	23,522	23,653	2.29 %
AAC Holding Corp.								
Education	First lien (2)(10)	10.36% (L + 8.25%/M)	9/30/2015	9/30/2020	22,592	22,440	22,184	2.15 %
CRCI Longhorn Holdings, Inc.								
Business Services	Second lien (3)	9.37% (L + 7.25%/M)	8/2/2018	8/10/2026	21,849	21,767	21,958	2.12 %
Avatar Topco, Inc. (23)								
EAB Global, Inc.								

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Education Help/Systems Holdings, Inc.	Second lien (3)	10.00% (L + 7.50%/Q)	11/17/2017	11/17/2025	21,450	21,153	21,236	2.05 %
Software DCA Investment Holding, LLC	Second lien (5)	9.99% (L + 7.75%/M)	3/23/2018	3/27/2026	20,231	20,134	20,332	1.97 %
Healthcare Services	First lien (2)(10)	7.64% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,319	17,232	17,319	
	First lien (3)(10)(11) - Drawn	7.64% (L + 5.25%/Q)	12/20/2017	7/2/2021	2,901	2,784	2,901	
SSH Group Holdings, Inc.					20,220	20,016	20,220	1.96 %
Education DiversiTech Holdings, Inc.	Second lien (2)	10.59% (L + 8.25%/Q)	7/26/2018	7/30/2026	20,116	20,017	20,116	1.95 %
Distribution & Logistics FR Arsenal Holdings II Corp.	Second lien (3)	9.89% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,328	19,403	1.88 %
Business Services AgKnowledge Holdings Company, Inc.	First lien (2)(10)	9.63% (L + 7.25%/Q)	9/29/2016	9/8/2022	18,592	18,443	18,592	1.80 %
Business Services Integral Ad Science, Inc.	Second lien (2)(10)	10.50% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,433	18,500	1.79 %
Software BackOffice Associates Holdings, LLC	First lien (3)(10)	9.50% (L + 6.00% + 1.25% PIK/Q)*	7/19/2018	7/19/2024	18,617	18,436	18,431	1.78 %
Business Services Navex Topco, Inc.	First lien (2)(10)	9.75% (L + 7.50%/M)	8/25/2017	8/25/2023	18,388	18,251	16,470	1.59 %
Software TIBCO Software Inc.	Second lien (2)	9.12% (L + 7.00%/M)	8/9/2018	9/4/2026	16,807	16,723	16,933	1.64 %
Software Hill International, Inc.**	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,759	16,031	1.55 %



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Business Services	First lien (2)(10)	8.14% (L + 5.75%/Q)	6/21/2017	6/21/2023	15,603	15,538	15,603	1.51 %
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QC McKissock Investment, LLC (14) McKissock, LLC								
Education	First lien (2)(10)	8.14% (L + 5.75%/Q)	8/6/2014	8/5/2021	\$ 6,367	\$6,344	\$6,367	
	First lien (2)(10)	8.14% (L + 5.75%/Q)	8/24/2018	8/5/2021	3,658	3,623	3,658	
	First lien (2)(10)	8.14% (L + 5.75%/Q)	8/6/2014	8/5/2021	3,035	3,026	3,035	
	First lien (2)(10)	8.14% (L + 5.75%/Q)	8/6/2014	8/5/2021	980	976	980	
	First lien (2)(10)	8.14% (L + 5.75%/Q)	8/3/2018	8/5/2021	844	836	844	
	First lien (2)(10)	8.14% (L + 5.75%/Q)	5/23/2018	8/5/2021	574	565	574	
					15,458	15,370	15,458	1.50 %
OEConnection LLC								
Business Services	Second lien (3)	10.25% (L + 8.00%/M)	11/22/2017	11/22/2025	15,160	14,966	15,160	1.47 %
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology Xactly Corporation	Second lien (2)	9.84% (L + 7.50%/Q)	4/18/2016	10/19/2023	15,000	14,716	14,925	1.44 %
Software	First lien (4)(10)	9.50% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,570	14,690	1.42 %
Transcendia Holdings, Inc.								
Packaging	Second lien (3)	10.24% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,324	14,391	1.39 %
NorthStar Financial Services Group, LLC								

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Software TW-NHME Holdings Corp. (20) National HME, Inc.	Second lien (5)	9.56% (L + 7.50%/M)	5/23/2018	5/25/2026	13,450	13,418	13,652	1.32 %
Healthcare Services Alegeus Technologies Holding Corp.	Second lien (3)(10)	11.55% (L + 9.25%/Q)(24)	7/14/2015	7/14/2022	27,300	27,073	13,650	1.32 %
Healthcare Services Castle Management Borrower LLC	First lien (2)	8.37% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,376	13,376	1.29 %
Business Services Project Accelerate Parent, LLC	First lien (2)(10)	8.57% (L + 6.25%/Q)	5/31/2018	2/15/2024	13,380	13,316	13,313	1.29 %
Business Services Ministry Brands, LLC	Second lien (3)(10)	10.62% (L + 8.50%/M)	1/2/2018	1/2/2026	13,473	13,315	13,305	1.29 %
Software	Second lien (3)(10)	11.75% (L + 9.25%/Q)	12/7/2016	6/2/2023	7,840	7,794	7,840	
	First lien (3)	6.24% (L + 4.00%/M)	12/7/2016	12/2/2022	2,970	2,959	2,970	
	Second lien (3)(10)	11.75% (L + 9.25%/Q)	12/7/2016	6/2/2023	2,160	2,147	2,160	
	First lien (3)(10)(11) - Drawn	9.25% (P + 4.00%/Q)	12/7/2016	12/2/2022	300	299	300	
PPVA Black Elk (Equity) LLC					13,270	13,199	13,270	1.28 %
Business Services CHA Holdings, Inc.	Subordinated (3)(10)	—	5/3/2013	—	14,500	14,500	12,180	1.18 %
Business Services	Second lien (4)	11.14% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,944	7,117	
	Second lien (3)	11.14% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,410	4,519	
					11,465	11,354	11,636	1.13 %

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Zywave, Inc.								
Software	Second lien (4)(10)	11.31% (L + 9.00%/Q)	11/22/2016	11/17/2023	\$ 11,000	\$ 10,934	\$ 11,000	
	First lien (3)(10)(11) - Drawn	7.24% (L + 5.00%/M)	11/22/2016	11/17/2022	150	149	150	
					11,150	11,083	11,150	1.08 %
Vectra Co.								
Business Products	Second lien (3)	9.49% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,750	10,802	1.05 %
Amerijet Holdings, Inc.								
Distribution & Logistics	First lien (4)(10)	10.24% (L + 8.00%/M)	7/15/2016	7/15/2021	9,133	9,091	9,143	
	First lien (4)(10)	10.24% (L + 8.00%/M)	7/15/2016	7/15/2021	1,522	1,515	1,524	
					10,655	10,606	10,667	1.03 %
Masergy Holdings, Inc.								
Business Services	Second lien (2)	9.89% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,451	10,544	1.02 %
FPC Holdings, Inc.								
Distribution & Logistics	Second lien (3)	11.39% (L + 9.00%/Q)	3/28/2018	5/19/2023	10,116	9,740	10,318	1.00 %
VT Topco, Inc.								
Business Services	Second lien (4)	9.34% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,975	10,150	0.98 %
Idera, Inc.								
Software	Second lien (4)	11.25% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,866	10,125	0.98 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(10)	8.57% (L + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,307	4,344	
	First lien (3)(10)(11) - Drawn	8.50% (L + 6.00%/Q)	9/15/2017	9/15/2023	5,277	5,239	5,277	
					9,621	9,546	9,621	0.93 %

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WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	7.74% (L + 5.50%/M)	2/22/2017	8/16/2022	9,575	9,342	9,503	0.92 %
J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	10.74% (L + 8.50%/M)	6/9/2016	9/7/2024	9,333	9,238	9,380	0.91 %
JAMF Holdings, Inc.								
Software	First lien (3)(10)	10.32% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,683	8,670	0.84 %
Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC)								
Consumer Services	Second lien (4)	10.24% (L + 8.00%/M)	10/4/2017	10/10/2025	7,597	7,562	7,559	
	Second lien (4)	10.24% (L + 8.00%/M)	10/4/2017	10/10/2025	403	401	401	
					8,000	7,963	7,960	0.77 %
Autodata, Inc. (Autodata Solutions, Inc.)								
Business Services	Second lien (3)	9.49% (L + 7.25%/M)	12/12/2017	12/12/2025	7,406	7,388	7,489	0.72 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (3)	9.67% (L + 7.50%/M)	8/16/2017	9/15/2025	7,000	6,936	7,092	0.69 %

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DG Investment Intermediate Holdings 2, Inc. (aka Convergint Technologies Holdings, LLC)								
Business Services	Second lien (3)	8.99% (L + 6.75%/M)	1/29/2018	2/2/2026	\$6,732	\$6,701	\$6,783	0.66 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	8.99% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,701	6,713	0.65 %
Restaurant Technologies, Inc.								
Business Services	Second lien (4)	8.90% (L + 6.50%/M)	9/24/2018	10/1/2026	6,722	6,705	6,705	0.65 %
DealerSocket, Inc.								
Software	First lien (2)	6.99% (L + 4.75%/M)	4/16/2018	4/26/2023	6,694	6,649	6,627	0.64 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	6.87% (L + 4.75%/M)	1/3/2017	1/5/2024	6,500	6,448	6,549	0.63 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,809	5,488	0.53 %
Applied Systems, Inc.								

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Software	Second lien (3)	9.39% (L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,045	0.49	%
ADG, LLC									
Healthcare Services	Second lien (3)(10)	11.24% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,940	4,684	0.45	%
York Risk Services Holding Corp.									
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,648	0.25	%
Ensemble S Merger Sub, Inc.									
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,951	2,095	0.20	%
Education Management Corporation(12)									
Education Management II									
Education	First Lien (2)	10.75% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	211	205	24		
	First Lien (3)	10.75% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	119	116	14		
	First Lien (2)	13.75% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	475	437	4		
	First Lien (3)	13.75% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	268	246	2		
					1,073	1,004	44	—	%
Total Funded Debt Investments - United States					\$1,630,057	\$1,617,214	\$1,610,653	155.84	%
Total Funded Debt Investments Equity - Hong Kong					\$1,714,963	\$1,701,653	\$1,696,027	164.10	%
Bach Special Limited (Bach Preference Limited)**									
Education	Preferred shares	—	9/1/2017	—	64,530	\$6,373	\$6,453	0.62	%

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	(3)(10)(22)								
Total Shares - Hong Kong Equity - United States Avatar Topco, Inc.					6,373	6,453	0.62	%	
Education	Preferred shares (3)(10)(23)	—	11/17/2017	—	35,750	\$38,908	\$38,781	3.75	%

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Tenawa Resource Holdings LLC (13) QID NGL LLC									
Energy	Preferred shares (7)(10)	—	10/30/2017	—	1,241,412	\$1,241	\$2,782		
	Ordinary shares (7)(10)	—	5/12/2014	—	5,290,997	5,291	11,266		
						6,532	14,048	1.36	%
Ancora Acquisition LLC									
Education	Preferred shares (6)(10)	—	8/12/2013	—	372	83	393	0.04	%
Education Management Corporation (12)									
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—		
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—		
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	4		
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	2		
						469	6	—	%
TW-NHME Holdings Corp. (20)									
Healthcare Services	Preferred shares (3)(10)	—	7/14/2015	—	100	1,000	—		
	Preferred shares (3)(10)	—	1/5/2016	—	16	158	—		
	Preferred shares (3)(10)	—	6/30/2016	—	6	68	—		
	Preferred shares (3)(10)	—	3/29/2018	—	40	162	—		

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						1,388	—	—	%
Total Shares - United States						\$47,380	\$53,228	5.15	%
Total Shares Warrants - United States ASP LCG Holdings, Inc.						\$53,753	\$59,681	5.77	%
Education	Warrants (3)(10)	—	5/5/2014	5/5/2026	622	\$37	\$495	0.05	%
Ancora Acquisition LLC									
Education	Warrants (6)(10)	—	8/12/2013	8/12/2020	20	—	—	—	%
Total Warrants - United States						\$37	\$495	0.05	%
Total Funded Investments						\$1,755,443	\$1,756,203	169.92	%
Unfunded Debt Investments - Canada Dentalcorp Perfect Smile ULC**									
Healthcare Services	Second lien (3)(11) - Undrawn	—	6/1/2018	6/6/2020	\$ 3,661	\$2	\$23	—	%
Total Unfunded Debt Investments - Canada					\$ 3,661	\$2	\$23	—	%
Unfunded Debt Investments - United States DCA Investment Holding, LLC									
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2015	7/2/2021	\$ 2,100	\$(21	) \$—		
	First lien (3)(10)(11) - Undrawn	—	12/20/2017	12/20/2019	10,563	—	—		
					12,663	(21	) —	—	%

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iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2015	8/4/2021	\$ 1,000	\$(10)	\$ —	—%
Ministry Brands, LLC								
Software	First lien (3)(10)(11) - Undrawn	—	12/7/2016	12/2/2022	700	(4 )	—	—%
Zywave, Inc.								
Software	First lien (3)(10)(11) - Undrawn	—	11/22/2016	11/17/2022	1,850	(14 )	—	—%
Trader Interactive, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13 )	—	—%
Xactly Corporation								
Software	First lien (3)(10)(11) - Undrawn	—	7/31/2017	7/29/2022	992	(10 )	—	—%
Integro Parent Inc.								
Business Services	First lien (3)(11) - Undrawn	—	6/8/2018	10/30/2021	6,279	(31 )	—	—%
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2019	6,307	(16 )	—	
	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2023	1,737	(17 )	—	
					8,044	(33 )	—	—%
Frontline Technologies Group Holdings, LLC								
Education		—	9/18/2017	9/18/2019	7,738	(58 )	—	—%

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	First lien (3)(10)(11) - Undrawn							
NM GRC Holdco, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	2/9/2018	2/9/2020	771	(2 )	(2 )	—%
Salient CRGT Inc.								
Federal Services	First lien (3)(11) - Undrawn	—	6/26/2018	11/29/2021	6,125	(490 )	(4 )	—%
DealerSocket, Inc.								
Software	First lien (3)(11) - Undrawn	—	4/16/2018	4/26/2023	560	(4 )	(6 )	—%
JAMF Holdings, Inc.								
Software	First lien (3)(10)(11) - Undrawn	—	11/13/2017	11/11/2022	750	(8 )	(8 )	—%
Ansira Holdings, Inc.								
Business Services	First lien (3)(11) - Undrawn	—	12/19/2016	4/16/2020	5,433	(27 )	(14 )	—%
Integral Ad Science, Inc.								
Software	First lien (3)(10)(11) - Undrawn	—	7/19/2018	7/19/2023	1,429	(14 )	(14 )	—%
TDG Group Holding Company								
Consumer Services	First lien (3)(10)(11) - Undrawn	—	5/22/2018	5/31/2024	2,989	(15 )	(15 )	—%
Finalsite Holdings, Inc.								
Software	First lien (3)(11) - Undrawn	—	9/25/2018	9/25/2024	2,521	(19 )	(19 )	—%
iCIMS, Inc.								
Software	First lien (3)(11) - Undrawn	—	9/12/2018	9/12/2024	1,977	(20 )	(20 )	—%

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Associations, Inc.								
Consumer Services	First lien (3)(10)(11) - Undrawn	—	7/30/2018	7/30/2021	\$6,556	\$(41)	\$(41)	)
	First lien (3)(10)(11) - Undrawn	—	7/30/2018	7/30/2024	2,033	(13)	(13)	)
					8,589	(54)	(54)	) (0.01)
PhyNet Dermatology LLC								
Healthcare Services	First lien (3)(11) - Undrawn	—	9/17/2018	8/16/2020	45,305	(227)	(227)	) (0.02)
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/25/2023	2,586	(23)	(271)	) (0.03)
Total Unfunded Debt Investments - United States					\$119,974	\$(1,097)	\$(654)	) (0.06)
Total Unfunded Debt Investments					\$123,635	\$(1,095)	\$(631)	) (0.06)
Total Non-Controlled/Non-Affiliated Investments						\$1,754,348	\$1,755,572	169.8
Non-Controlled/Affiliated Investments (25)								
Funded Debt Investments - United States								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Permian Holdco 3, Inc.								
Energy	First lien (3)(10)(11) - Drawn	8.62% (L + 6.50%/M)	6/14/2018	6/30/2022	\$15,000	\$15,000	\$15,000	
	First lien (3)(10)	14.84% (L + 7.50% +	6/14/2018	6/30/2022	9,975	9,975	9,975	

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		5.00%							
		PIK/Q)*							
	Subordinated	14.00%	10/31/2016	10/15/2021	2,225	2,225	2,225		
	(3)(10)	PIK/Q*							
	Subordinated	14.00%	10/31/2016	10/15/2021	1,146	1,146	1,146		
	(3)(10)	PIK/Q*							
					28,346	28,346	28,346		2.74
Total Funded Debt Investments					\$28,346	\$28,346	\$28,346		2.74
- United States									
Equity - United States									
HI Technology Corp.									
Business Services	Preferred		3/21/2017	—	2,768,000	\$105,155	\$117,080		11.33
	shares	—							
	(3)(10)(21)								
NMFC Senior Loan Program I									
LLC**									
Investment Fund	Membership		6/13/2014	—	—	23,000	23,000		2.23
	interest	—							
	(3)(10)								
Sierra Hamilton Holdings									
Corporation									
Energy	Ordinary		7/31/2017	—	25,000,000	11,501	11,271		
	shares	—							
	(2)(10)								
	Ordinary		7/31/2017	—	2,786,000	1,281	1,256		
	shares	—							
	(3)(10)								
						12,782	12,527		1.21
Permian Holdco 1, Inc.									
Energy	Preferred		10/31/2016	—	1,714,735	7,629	9,431		
	shares	—							
	(3)(10)(16)								
	Ordinary		10/31/2016	—	1,366,452	1,350	185		
	shares	—							
	(3)(10)								
						8,979	9,616		0.93
Total Shares - United States						\$149,916	\$162,223		15.70
Total Funded Investments						\$178,262	\$190,569		18.44

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt								
Investments - United States								
Permian Holdco 3, Inc.								
Energy	First lien (3)(10)(11) - Undrawn	—	6/14/2018	6/30/2022	\$ 5,000	\$—	\$—	— %
Total Unfunded Debt Investments - United States					\$ 5,000	\$—	\$—	— %
Total Non-Controlled/Affiliated Investments						\$ 178,262	\$ 190,569	18.44 %
Controlled Investments (26)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	First lien (2)	10.84% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	\$ 8,428	\$ 7,076	\$ 7,121	
	Second lien (3)(10)	7.00% PIK/Q*	2/23/2018	12/9/2021	10,987	10,325	10,164	
	Second lien (3)(10)(11) - Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	156	156	156	
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,787	4,783	4,787	
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	18,063	18,063	14,451	
			6/9/2015	6/9/2020	4,444	4,444	3,555	

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	Subordinated (3)(10)	10.00% PIK/Q*			46,865	44,847	40,234	3.89	%
UniTek Global Services, Inc.									
Business Services	First lien (2)(10)	7.89% (L + 5.50%/Q)	6/29/2018	8/20/2024	12,573	12,573	12,573	1.22	%
Total Funded Debt Investments - United States Equity - Canada NM APP Canada Corp.**					\$ 59,438	\$ 57,420	\$ 52,807	5.11	%
Net Lease	Membership interest (8)(10)	—	9/13/2016	—	—	\$ 7,345	\$ 8,517	0.82	%
Total Shares - Canada Equity - United States NMFC Senior Loan Program II LLC**						\$ 7,345	\$ 8,517	0.82	%
Investment Fund	Membership interest (3)(10)	—	5/3/2016	—	—	\$ 79,400	\$ 79,400	7.68	%
UniTek Global Services, Inc.									
Business Services	Preferred shares (2)(10)(17)	—	1/13/2015	—	24,030,774	1,651	22,399		
	Preferred shares (3)(10)(17)	—	1/13/2015	—	6,640,963	5,983	6,190		
	Preferred shares (3)(10)(19)	—	8/17/2018	—	6,733,852	6,734			
	Preferred shares (3)(10)(18)	—	6/30/2017	—	12,486,341	12,486	12,486		
	Ordinary shares (2)(10)	—	1/13/2015	—	2,096,477	1,925	10,610		
	Ordinary shares (3)(10)	—	1/13/2015	—	1,993,749	532	10,090		
						49,311	68,509	6.63	%

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
NMFC Senior Loan Program III LLC**								
Investment Fund	Membership interest (3)(10)	—	5/4/2018	—	—	\$66,800	\$66,800	6.46 %
NM NL Holdings LP**								
Net Lease	Membership interest (8)(10)	—	6/20/2018	—	—	20,065	19,901	1.93 %
NM GLCR LLC								
Net Lease	Membership interest (8)(10)	—	2/1/2018	—	—	14,750	14,653	1.42 %
NM CLFX LP								
Net Lease	Membership interest (8)(10)	—	10/6/2017	—	—	12,538	12,540	1.21 %
NM KRLN LLC								
Net Lease	Membership interest (8)(10)	—	11/15/2016	—	—	7,510	8,554	0.83 %
NM DRVT LLC								
Net Lease	Membership interest (8)(10)	—	11/18/2016	—	—	5,152	5,547	0.54 %
NM APP US LLC								
Net Lease	Membership interest (8)(10)	—	9/13/2016	—	—	5,080	5,401	0.52 %
NM JRA LLC								
Net Lease	Membership interest (8)(10)	—	8/12/2016	—	—	2,043	2,251	0.22 %
Edmentum Ultimate Holdings, LLC (15)								
Education	Ordinary shares (3)(10)	—	6/9/2015	—	123,968	11	320	
	Ordinary shares (2)(10)	—	6/9/2015	—	107,143	9	276	
						20	596	0.06 %
NM GP Holdco LLC**								
Net Lease	Membership interest (8)(10)	—	6/20/2018	—	—	203	197	0.02 %

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Total Shares - United States					\$262,872	\$284,349	27.51	%	
Total Shares					\$270,217	\$292,866	28.34	%	
Warrants - United States									
Edmentum Ultimate Holdings, LLC (15) Education	Warrants (3)(10)	—	2/23/2018	5/5/2026	1,141,846	\$769	\$2,945	0.28	%
UniTek Global Services, Inc. Business Services	Warrants (3)(10)	—	6/30/2017	12/31/2018	526,925	—	—	—	%
Total Warrants - United States						\$769	\$2,945	0.28	%
Total Funded Investments						\$328,406	\$348,618	33.73	%
Unfunded Debt Investments - United States									
UniTek Global Services, Inc.	First lien								
Business Services	(3)(10)(11) - Undrawn	—	6/29/2018	2/20/2019	\$ 2,515	\$—	\$—	—	%

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Edmentum Ultimate Holdings, LLC (15) Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)	Second lien	—	6/9/2015	12/9/2021	\$ 7,434	\$—	\$—	— %
Education	(3)(10)(11) - Undrawn	—	6/9/2015	12/9/2021	\$ 7,434	\$—	\$—	— %
Total Unfunded Debt Investments - United States					\$ 9,949	\$—	\$—	— %
Total Controlled Investments						\$328,406	\$348,618	33.73 %
Total Investments						\$2,261,016	\$2,294,759	222.03 %

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

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

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

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

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

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

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

(8) Investment is held in New Mountain Net Lease Corporation.

(9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P)

and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of September 30, 2018.

(10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. Fair Value, for details.

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

(12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.

(13) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

(14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds first lien term loans and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.

(15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes, ordinary equity, and warrants in Edmentum Ultimate Holdings, LLC and holds a first lien term loan, second lien revolver and a second lien term loan in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.

(16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.

(17) 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.

(18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.

(19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB
- (23) Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (24) Investment or a portion of the investment is on non-accrual status. See Note 3. Investments, for details.
- Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding
- (25) voting securities of the investment but not controlling the company. Fair value as of September 30, 2018 and December 31, 2017, along with transactions during the nine months ended September 30, 2018 in which the issuer was a non-controlled/affiliated investment, is as follows:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Fair Value September 30, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 24,858	\$ —	\$ (24,858 )	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
HI Technology Corp.	105,155	—	—	—	11,925	117,080	—	11,250	—
NMFC Senior Loan Program I LLC	23,000	—	—	—	—	23,000	—	2,423	891
Permian Holdco 1, Inc. / Permian Holdco 2, Inc. / Permian Holdco 3, Inc.	12,733	26,468	(25 )	—	(1,214 )	37,962	1,129	800	638
Sierra Hamilton Holdings Corporation	12,330	—	—	—	197	12,527	—	—	—
Total									
Non-Controlled/Affiliated Investments	\$ 178,076	\$ 26,468	\$ (24,883 )	\$ —	\$ 10,908	\$ 190,569	\$ 1,129	\$ 14,473	\$ 1,529

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, (A) 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.

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

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



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## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

September 30, 2018

(in thousands, except shares)

(unaudited)

(26) Denotes investments in which the Company is in “Control”, as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of September 30, 2018 and December 31, 2017, along with transactions during the nine months ended September 30, 2018 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses) (C)	Net Change in Realized Appreciation (Depreciation) (D)	Fair Value at September 30, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$—	\$48,856	\$(6,921)	\$—	-\$1,840	\$43,775	\$2,795	\$—	\$422
NM APP CANADA CORP	7,962	—	—	—	555	8,517	—	617	—
NM APP US LLC	5,138	—	—	—	263	5,401	—	423	—
NM CLFX LP	12,538	—	—	—	2	12,540	—	1,146	—
NM DRVT LLC	5,385	—	—	—	162	5,547	—	379	—
NM JRA LLC	2,191	—	—	—	60	2,251	—	163	—
NM GLCR LLC	—	14,750	—	—	(97)	14,653	—	1,205	—
NM KRLN LLC	8,195	—	—	—	359	8,554	—	554	—
NM NL Holdings, L.P.	—	20,064	—	—	(163)	19,901	—	765	—
NM GP Holdco, LLC	—	203	—	—	(6)	197	—	—	—
NMFC Senior Loan Program II LLC	79,400	—	—	—	—	79,400	—	8,543	—
NMFC Senior Loan Program III LLC	—	66,800	—	—	—	66,800	—	960	—
UniTek Global Services, Inc.	64,593	32,216	(23,223)	—	7,496	81,082	1,547	4,683	1,055
Total Controlled Investments	\$185,402	\$182,889	\$(30,144)	\$—	-\$10,471	\$348,618	\$4,342	\$19,438	\$1,477

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK (A) 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.

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

\* All or a portion of interest contains PIK interest.

\*\* Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of September 30, 2018, 12.1% of the Company’s total investments were non-qualifying assets.

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)

September 30, 2018

(in thousands, except shares)

(unaudited)

Investment Type	September 30, 2018	
	Percent of Total	Investments at Fair Value
First lien	44.88	%
Second lien	29.72	%
Subordinated	2.82	%
Equity and other	22.58	%
Total investments	100.00	%

Industry Type	September 30, 2018	
	Percent of Total	Investments at Fair Value
Business Services	27.98	%
Software	19.35	%
Healthcare Services	14.48	%
Education	9.06	%
Investment Fund	7.37	%
Consumer Services	5.73	%
Energy	4.54	%
Federal Services	3.39	%
Net Lease	3.38	%
Distribution & Logistics	2.97	%
Healthcare Information Technology	0.65	%
Packaging	0.63	%
Business Products	0.47	%
Total investments	100.00	%

Interest Rate Type	September 30, 2018	
	Percent of Total	Investments at Fair Value
Floating rates	88.86	%
Fixed rates	11.14	%
Total investments	100.00	%

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

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## Consolidated Schedule of Investments

December 31, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - United Kingdom								
Air Newco LLC**								
Software	Second lien (3)	10.94% (L + 9.50%/Q)	1/30/2015	1/31/2023	\$40,000	\$39,033	\$39,000	3.77 %
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (3)	8.88% (L + 7.50%/Q)	9/25/2017	10/3/2025	40,353	40,056	40,656	3.93 %
Total Funded Debt Investments - United Kingdom					\$80,353	\$79,089	\$79,656	7.70 %
Funded Debt Investments - United States								
AmWINS Group, Inc.								
Business Services	Second lien (3)	8.32% (L + 6.75%/M)	1/19/2017	1/25/2025	\$57,000	\$56,804	\$57,606	5.57 %
Alegeus Technologies, LLC								
Healthcare Services	Second lien (3)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	23,500	23,500	23,500	
	Second lien (4)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	22,500	22,500	22,500	
					46,000	46,000	46,000	4.44 %
PetVet Care Centers LLC								
Consumer Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	6/8/2017	6/8/2023	34,527	34,409	34,872	
	First lien (3)(10)(11) - Drawn	7.55% (L + 6.00%/Q)	6/8/2017	6/8/2023	8,646	8,616	8,733	
	First lien (3)(10)(11) +	9.50% (P +	6/8/2017	6/8/2023	2,200	2,192	2,200	

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	- Drawn	5.00%/Q)			45,373	45,217	45,805	4.43 %
Integro Parent Inc.								
Business Services	First lien (2)	7.16% (L + 5.75%/Q)	10/9/2015	10/31/2022	34,873	34,601	34,786	
	Second lien (3)	10.63% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,920	9,800	
					44,873	44,521	44,586	4.31 %
Severin Acquisition, LLC								
Software	Second lien (4)(10)	10.32% (L + 8.75%/M)	7/31/2015	7/29/2022	15,000	14,891	15,000	
	Second lien (3)(10)	10.32% (L + 8.75%/M)	2/1/2017	7/29/2022	14,518	14,361	14,518	
	Second lien (4)(10)	10.32% (L + 8.75%/M)	11/5/2015	7/29/2022	4,154	4,123	4,154	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	2/1/2016	7/29/2022	3,273	3,248	3,273	
	Second lien (3)(10)	10.57% (L + 9.00%/M)	10/14/2016	7/29/2022	2,361	2,341	2,361	
	Second lien (3)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	1,825	1,810	1,825	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	300	298	300	
					41,431	41,072	41,431	4.00 %
Salient CRGT Inc.								
Federal Services	First lien (2)	7.32% (L + 5.75%/M)	1/6/2015	2/28/2022	40,894	40,421	41,251	3.99 %
Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC								
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,900	39,835	39,900	3.86 %

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## Consolidated Schedule of Investments (Continued)

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
VetCor Professional Practices LLC Consumer Services	First lien (4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	\$ 19,111	\$ 18,996	\$ 19,134	
	First lien (2)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	7,714	7,603	7,724	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	2/24/2017	4/20/2021	6,005	5,891	6,013	
	First lien (4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	2,650	2,632	2,654	
	First lien (2)	7.69% (L + 6.00%/Q)	6/24/2016	4/20/2021	1,632	1,606	1,634	
	First lien (4)	7.69% (L + 6.00%/Q)	3/31/2016	4/20/2021	495	487	496	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	1,426	1,412	1,428	
					39,033	38,627	39,083	3.78 %
Frontline Technologies Group Holdings, LLC Education	First lien (2)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	16,750	16,629	16,625	
	First lien (4)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	22,613	22,450	22,444	
					39,363	39,079	39,069	3.77 %
Kronos Incorporated Software	Second lien (2)	9.63% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,508	37,449	3.62 %
Valet Waste Holdings, Inc. Business Services	First lien (2)(10)	8.57% (L + 7.00%/M)	9/24/2015	9/24/2021	29,325	29,078	29,325	

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	First lien (2)(10)	8.57% (L + 7.00%/M)	7/27/2017	9/24/2021	3,731	3,697	3,731	
					33,056	32,775	33,056	3.19 %
Evo Payments International, LLC								
	Second lien (2)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	25,000	24,824	25,250	
	Second lien (3)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	5,000	5,052	5,050	
					30,000	29,876	30,300	2.93 %
Wirepath LLC Distribution & Logistics								
	First lien (2)	6.87% (L + 5.25%/Q)	7/31/2017	8/5/2024	27,731	27,598	28,112	2.72 %
Ansira Holdings, Inc.								
	First lien (2)	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	25,920	25,809	25,855	
	First lien (3)(11) - Drawn	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	2,107	2,097	2,102	
					28,027	27,906	27,957	2.70 %
TW-NHME Holdings Corp. (20)								
National HME, Inc.								
	Second lien (4)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	21,500	21,301	21,646	
	Second lien (3)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	5,800	5,737	5,839	
					27,300	27,038	27,485	2.66 %
Navicure, Inc. Healthcare Services								
	Second lien (3)	8.86% (L + 7.50%/M)	10/23/2017	10/31/2025	26,952	26,819	27,154	2.62 %
Trader Interactive, LLC								
	First lien (2)(10)	7.50% (L + 6.00%/M)	6/15/2017	6/17/2024	27,190	26,999	26,986	2.61 %
Marketto, Inc. Software								
	First lien (3)(10)	11.19% (L + 9.50%/Q)	8/16/2016	8/16/2021	26,820	26,509	26,820	2.59 %
Keystone Acquisition Corp. Healthcare Services								
	First lien (2)	6.94% (L + 5.25%/Q)	5/10/2017	5/1/2024	19,950	19,764	20,087	
	Second lien (3)	10.94% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,457	4,511	
					24,450	24,221	24,598	2.38 %

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



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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	8/4/2015	8/4/2022	\$ 17,589	\$17,464	\$ 17,589	
	First lien (4)(10)	7.74% (L + 6.25%/M)	6/16/2017	8/4/2022	4,577	4,556	4,554	
	First lien (2)(10)	7.74% (L + 6.25%/M)	9/25/2017	8/4/2022	1,161	1,155	1,155	
	First lien (4)(10)	7.74% (L + 6.25%/M)	9/25/2017	8/4/2022	511	508	508	
					23,838	23,683	23,806	2.30 %
AAC Holding Corp.								
Education	First lien (2)(10)	9.62% (L + 8.25%/M)	9/30/2015	9/30/2020	23,161	22,953	23,161	2.24 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(10)	8.06% (L + 6.50%/M)	8/25/2017	8/25/2023	22,869	22,679	22,669	2.19 %
TWDiamondback Holdings Corp. (15) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)								
Distribution & Logistics	First lien (4)(10)	10.49% (L + 8.75%/Q)	11/19/2014	11/19/2019	19,895	19,895	19,895	

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	First lien (3)(10)	10.44% (L + 8.75%/Q)	11/19/2014	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	10.44% (L + 8.75%/Q)	11/19/2014	11/19/2019	605	605	605	
EN Engineering, LLC					22,658	22,658	22,658	2.19 %
Business Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	7/30/2015	6/30/2021	20,893	20,760	20,893	
	First lien (2)(10)	7.69% (L + 6.00%/Q)	7/30/2015	6/30/2021	1,208	1,200	1,208	
Avatar Topco, Inc (23)					22,101	21,960	22,101	2.14 %
EAB Global, Inc.								
Education	Second lien (3)	8.99% (L + 7.50%/M)	11/17/2017	11/17/2025	21,450	21,132	21,236	2.05 %
DigiCert Holdings, Inc.								
Business Services	Second lien (3)	9.38% (L + 8.00%/Q)	9/20/2017	10/31/2025	20,176	20,077	20,347	1.97 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (3)	9.20% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,315	19,744	1.91 %
ABILITY Network Inc.								
Healthcare Information Technology KeyPoint Government Solutions, Inc.	Second lien (3)	9.21% (L + 7.75%/M)	12/11/2017	12/12/2025	18,851	18,839	18,945	1.83 %
Federal Services	First lien (2)(10)	7.35% (L + 6.00%/Q)	4/18/2017	4/18/2024	18,413	18,243	18,597	1.80 %
AgKnowledge Holdings Company, Inc.								
Business Services	Second lien (2)(10)	9.82% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,409	18,500	1.79 %
VF Holding Corp. Software			7/7/2016	6/28/2024	17,086	17,396	17,598	1.70 %



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	Second lien (3)(10)	10.57% (L + 9.00%/M)							
DCA Investment Holding, LLC									
Healthcare Services	First lien (2)(10)	6.94% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,453	17,344	17,453	1.69	%
OEConnection LLC									
Business Services	Second lien (3)	9.69% (L + 8.00%/Q)	11/22/2017	11/22/2025	16,841	16,548	16,841	1.63	%
TIBCO Software Inc.									
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,714	16,378	1.58	%
American Tire Distributors, Inc.									
Distribution & Logistics	Subordinated (3)	10.25%/S	2/10/2015	3/1/2022	15,520	15,267	16,063	1.55	%
Hill International, Inc.**									
Business Services	First lien (2)(10)	7.32% (L + 5.75%/M)	6/21/2017	6/21/2023	15,721	15,648	15,642	1.51	%

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Netsmart Inc. / Netsmart Technologies, Inc. Healthcare Information Technology Transcendia Holdings, Inc.	Second lien (2)	10.98% (L + 9.50%/Q)	4/18/2016	10/19/2023	\$ 15,000	\$14,686	\$15,075	1.46 %
Packaging SW Holdings, LLC	Second lien (3)	9.57% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,309	14,391	1.39 %
Business Services Peraton Holding Corp. (fka MHVC Acquisition Corp.)	Second lien (4)(10)	10.44% (L + 8.75%/Q)	6/30/2015	12/30/2021	14,265	14,167	14,331	1.38 %
Federal Services Ministry Brands, LLC	First lien (2)	6.95% (L + 5.25%/Q)	4/25/2017	4/29/2024	14,030	13,987	14,135	1.37 %
Software	First lien (3)	6.38% (L + 5.00%/Q)	12/7/2016	12/2/2022	2,993	2,980	2,993	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/M)	12/7/2016	12/2/2022	1,000	995	1,000	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	7,840	7,788	7,840	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	2,160	2,146	2,160	
					13,993	13,909	13,993	1.35 %
nThrive, Inc. (fka Precyse Acquisition Corp.) Healthcare Services	Second lien (2)(10)	11.32% (L + 9.75%/M)	4/19/2016	4/20/2023	13,000	12,813	12,702	1.23 %

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FR Arsenal Holdings II Corp.									
Business Services	First lien (2)(10)	8.81% (L + 7.25%/Q)	9/29/2016	9/8/2022	12,356	12,252	12,373	1.19 %	
Amerijet Holdings, Inc.									
Distribution & Logistics	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	10,403	10,344	10,458		
	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	1,734	1,724	1,743		
					12,137	12,068	12,201	1.18 %	
SSH Group Holdings, Inc.									
Education	First lien (2)(10)	6.69% (L + 5.00%/Q)	10/13/2017	10/2/2024	8,407	8,366	8,365		
	Second lien (3)(10)	10.69% (L + 9.00%/Q)	10/13/2017	10/2/2025	3,363	3,330	3,329		
					11,770	11,696	11,694	1.13 %	
ProQuest LLC									
Business Services	Second lien (3)	10.55% (L + 9.00%/M)	12/14/2015	12/15/2022	11,620	11,440	11,620	1.12 %	
Xactly Corporation									
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	7/31/2017	7/29/2022	11,600	11,492	11,484	1.11 %	
Zywave, Inc.									
Software	Second lien (4)(10)	10.42% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,927	11,011		
	First lien (3)(10)(11) - Drawn	8.50% (P + 4.00%/Q)	11/22/2016	11/17/2022	200	199	200		
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/Q)	11/22/2016	11/17/2022	250	248	250		
					11,450	11,374	11,461	1.11 %	
QC McKissock Investment, LLC (14)									
McKissock, LLC									
Education	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	6,415	6,386	6,415		
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	3,058	3,046	3,058		
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	987	983	987		
					10,460	10,415	10,460	1.01 %	
Masergy Holdings, Inc.									
Business Services	Second lien (2)	10.19% (L + 8.50%/Q)	12/14/2016	12/16/2024	10,000	9,943	10,144	0.98 %	
Idera, Inc.									

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Software	Second lien (4)	10.57% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,856	10,100	0.97 %
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The accompanying notes are an integral part of these consolidated financial statements.

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Portfolio Company, Location and Industry(1) Quest Software US Holdings Inc.	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Software	First lien (2)	6.92% (L + 5.50%/Q)	10/31/2016	10/31/2022	\$9,899	\$9,775	\$10,071	0.97 %
PowerPlan Holdings, Inc.	Software	Second lien (2)(10)	2/23/2015	2/23/2023	10,000	9,927	10,000	0.97 %
WD Wolverine Holdings, LLC	Healthcare Services	First lien (2)	2/22/2017	8/16/2022	9,813	9,534	9,512	0.92 %
Pelican Products, Inc.	Business Products	Second lien (2)	4/9/2014	4/9/2021	9,500	9,533	9,500	0.92 %
J.D. Power (fka J.D. Power and Associates)	Business Services	Second lien (3)	6/9/2016	9/7/2024	9,333	9,230	9,473	0.91 %
Harley Marine Services, Inc.	Distribution & Logistics	Second lien (2)	12/18/2013	12/20/2019	9,000	8,929	8,955	0.86 %
JAMF Holdings, Inc.	Software	First lien (3)(10)	11/13/2017	11/11/2022	8,757	8,672	8,670	0.84 %

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Autodata, Inc. (Autodata Solutions, Inc.)										
Business Services	Second lien (3)	8.82% (L + 7.25%/Q)	12/12/2017	12/12/2025	7,406	7,387	7,387	0.71	%	
MH Sub I, LLC (Micro Holding Corp.)										
Software	Second lien (3)	9.09% (L + 7.50%/Q)	8/16/2017	9/15/2025	7,000	6,932	7,048	0.68	%	
First American Payment Systems, L.P.										
Business Services	First lien (2)	7.14% (L + 5.75%/M)	1/3/2017	1/5/2024	6,844	6,783	6,880	0.66	%	
Solera LLC / Solera Finance, Inc.										
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,791	5,650	0.55	%	
Pathway Partners Vet Management Company LLC										
Consumer Services	Second lien (4)	9.57% (L + 8.00%/M)	10/4/2017	10/10/2025	5,556	5,527	5,527	0.53	%	
Applied Systems, Inc.										
Software	Second lien (3)	8.69% (L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,106	0.49	%	
ADG, LLC										
Healthcare Services	Second lien (3)(10)	10.57% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,934	5,038	0.49	%	
Vencore, Inc. (fka The SI Organization Inc.)										
Federal Services	Second lien (3)	10.44% (L + 8.75%/Q)	6/14/2016	5/23/2020	4,400	4,350	4,450	0.43	%	
Affinity Dental Management, Inc.										

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Healthcare Services	First lien (2)(10)	7.59% (L) + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,302	4,301	0.41	%
York Risk Services Holding Corp.									
Business Services Ensemble S Merger Sub, Inc.	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,940	0.28	%
Software Education Management Corporation (12)	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,946	2,125	0.20	%
Education Management II LLC									
Education	First lien (2)	5.85% (L) + 4.50%/Q)	1/5/2015	7/2/2020	211	205	82		
	First lien (3)	5.85% (L) + 4.50%/Q)	1/5/2015	7/2/2020	119	116	46		
	First lien (2)	8.85% (L) + 7.50%/Q)	1/5/2015	7/2/2020	475	437	10		
	First lien (3)	8.85% (L) + 7.50%/Q)	1/5/2015	7/2/2020	268	247	6		
Total Funded Debt					1,073	1,005	144	0.01	%
Investments - United States					\$1,319,560	\$1,309,577	\$1,325,328	128.05	%
Total Funded Debt					\$1,399,913	\$1,388,666	\$1,404,984	135.75	%
Investments									

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

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Fair Value	Percent of Net Assets		
Equity - Hong Kong Bach Special Limited (Bach Preference Limited)**	Preferred shares (3)(10)(22)	—	9/1/2017	—	58,807 \$5,807	\$5,806	0.56	%	
Total Shares - Hong Kong					\$5,807	\$5,806	0.56	%	
Equity - United States Avatar Topco, Inc. (23)	Preferred shares (3)(10)(23)	—	11/17/2017	—	35,720 \$35,220	\$35,204	3.40	%	
Tenawa Resource Holdings LLC (13) QID NGL LLC	Ordinary shares (7)(10)	—	5/12/2014	—	5,296 \$5,297	8,154			
	Preferred shares (7)(10)	—	10/30/2017	—	620,701 \$620,701	1,007			
					5,912	9,161	0.88	%	
TWDiamondback Holdings Corp. (15)	Preferred shares (4)(10)	—	11/19/2014	—	200 2,000	4,508	0.44	%	
Distribution & Logistics									
TW-NHME Holdings Corp. (20)	Preferred shares	—	7/14/2015	—	100 1,000	944			
Healthcare Services									



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	(4)(10) Preferred shares	—	1/5/2016	—	16	158	149		
	(4)(10) Preferred shares	—	6/30/2016	—	6	68	58		
	(4)(10)					1,226	1,151	0.11	%
Ancora Acquisition LLC									
Education	Preferred shares (6)(10)	—	8/12/2013	—	372	83	393	0.04	%
Education Management Corporation (12)									
Education	Preferred shares (2)	—	1/5/2015	—	3,332	200	—		
	Preferred shares (3)	—	1/5/2015	—	1,879	13	—		
	Ordinary shares (2)	—	1/5/2015	—	2,994	1,065	10		
	Ordinary shares (3)	—	1/5/2015	—	1,688	5,076	6		
						469	16	0.00	%
Total Shares - United States						\$44,910	\$50,433	4.87	%
Total Shares Warrants - United States						\$50,717	\$56,239	5.43	%
ASP LCG Holdings, Inc.									
Education	Warrants (3)(10)	—	5/5/2014	5/5/2026	622	\$37	\$1,089	0.11	%
Ancora Acquisition LLC									
Education	Warrants (6)(10)	—	8/12/2013	8/12/2020	20	—	—	—	%
YP Equity Investors, LLC									
Media	Warrants (5)(10)	—	5/3/2012	5/8/2022	5	—	—	—	%
Total Warrants - United States						\$37	\$1,089	0.11	%
Total Funded Investments						\$1,439,420	\$1,462,312	141.29	%

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Unfunded Debt								
Investments - United States								
PetVet Care Centers LLC								
Consumer Services	First lien (3)(10)(11) - Undrawn	—	6/8/2017	6/8/2019	\$ 4,439	\$(16)	\$ 44	0.00 %
VetCor Professional Practices LLC								
Consumer Services	First lien (3)(11) - Undrawn	—	5/15/2015	4/20/2021	1,274	(13)	2	
	First lien (3)(11) - Undrawn	—	12/29/2017	12/29/2019	8,552	(75)	11	
					9,826	(88)	13	0.00 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2015	7/2/2021	2,100	(21)	—	
	First lien (3)(10)(11) - Undrawn	—	12/20/2017	12/20/2019	13,465	(118)	—	
					15,565	(139)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %
Valet Waste Holdings, Inc.								
Business Services	First lien (3)(10)(11) -	—	9/24/2015	9/24/2021	3,750	(47)	—	— %

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Zywave, Inc.	Undrawn								
Software	First lien (3)(10)(11) - Undrawn	—	11/22/2016	11/17/2022	1,550	(12 )	—	—	%
Marketo, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	8/16/2016	8/16/2021	1,788	(27 )	—	—	%
Ansira Holdings, Inc.									
Business Services	First lien (3)(11) - Undrawn	—	12/19/2016	12/20/2018	1,700	(9 )	(4 )	(0.00)%	
JAMF Holdings, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	11/13/2017	11/11/2022	750	(8 )	(8 )	(0.00)%	
Xactly Corporation									
Software	First lien (3)(10)(11) - Undrawn	—	7/31/2017	7/29/2022	992	(10 )	(10 )	(0.00)%	
Pathway Partners Vet Management Company LLC									
Consumer Services	Second lien (4)(11) - Undrawn	—	10/4/2017	10/10/2019	2,444	(12 )	(12 )	(0.00)%	
Trader Interactive, LLC									
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13 )	(13 )	(0.00)%	
BackOffice Associates Holdings, LLC									
Business Services	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/24/2018	3,448	(13 )	(13 )		
	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/25/2023	2,586	(23 )	(23 )		
					6,034	(36 )	(36 )	(0.00)%	

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, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value
Affinity Dental Management, Inc.							
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2019	\$ 11,584	\$(29)	\$(29)
	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	(17)
					13,322	(46)	(46)
Frontline Technologies Group Holdings, LLC							
Education	First lien (3)(10)(11) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	(58)
Total Unfunded Debt Investments - United States					\$72,571	\$(531)	\$(130)
Total Non-Controlled/Non-Affiliated Investments						\$1,438,889	\$1,462,182
Non-Controlled/Affiliated Investments(24)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(10)(11) - Drawn	5.00%/M	6/9/2015	6/9/2020	\$3,172	\$3,172	\$3,172
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,491	4,486	4,491
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	16,760	16,760	13,408
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,123	4,123	3,298

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					28,546	28,541	24,369
Permian Holdco 1, Inc.							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(10)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,007	2,007	2,007
	Subordinated (3)(10)(11) - Drawn	14.00% PIK/Q*	10/31/2016	10/15/2021	696	696	696
					2,703	2,703	2,703
Total Funded Debt Investments					\$31,249	\$31,244	\$27,072
- United States							
Equity - United States							
HI Technology Corp.							
Business Services	Preferred shares (3)(10)(21)	—	3/21/2017	—	2,768,000	\$105,155	\$105,155
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)(10)	—	6/13/2014	—	—	23,000	23,000
Sierra Hamilton Holdings Corporation							
Energy	Ordinary shares (2)(10)	—	7/31/2017	—	25,000,000	1,501	11,094
	Ordinary shares (3)(10)	—	7/31/2017	—	2,786,000	1,281	1,236
						12,782	12,330
Permian Holdco 1, Inc.							
Energy	Preferred shares (3)(10)(17)	—	10/31/2016	—	1,569,226	6,829	8,631
	Ordinary shares (3)(10)	—	10/31/2016	—	1,366,452	1,350	1,399
						8,179	10,030

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, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Edmentum Ultimate Holdings, LLC (16)								
Education	Ordinary shares (3)(10)	—	6/9/2015	—	123,968	\$11	\$262	
	Ordinary shares (2)(10)	—	6/9/2015	—	107,143	9	227	
						20	489	0.05 %
Total Shares - United States						\$149,136	\$151,004	14.59 %
Total Funded Investments						\$180,380	\$178,076	17.21 %
Unfunded Debt								
Investments - United States								
Edmentum Ultimate Holdings, LLC (16)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(10)(11) - Undrawn	—	6/9/2015	6/9/2020	\$1,709	\$—	\$—	— %
Permian Holdco 1, Inc. Permian Holdco 2, Inc.								
Energy	Subordinated (3)(10)(11) - Undrawn	—	10/31/2016	10/15/2021	342	—	—	— %
Total Unfunded Debt								
Investments - United States						\$2,051	\$—	— %
Total Non-Controlled/Affiliated Investments						\$180,380	\$178,076	17.21 %
Controlled Investments(25)								

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Funded Debt Investments  
- United States  
UniTek Global Services,  
Inc.

Business Services	First lien (2)(10)	10.20% (L + 8.50%/Q) 9.84% (L + 7.50% + 1.00% PIK/Q)*	1/13/2015	1/13/2019	\$10,846	\$10,846	\$10,846		
	First lien (2)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	2,003	2,003	2,003		
	Subordinated (3)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	1,198	1,198	1,198		
					14,844	14,844	14,844	1.43	%
Total Funded Debt Investments - United States					\$14,844	\$14,844	\$14,844	1.43	%
Equity - Canada NM APP Canada Corp.**									
Net Lease	Membership interest (8)(10)	—	9/13/2016	—	—	\$7,345	\$7,962	0.77	%
Total Shares - Canada Equity - United States						\$7,345	\$7,962	0.77	%
NMFC Senior Loan Program II LLC**									
Investment Fund	Membership interest (3)(10)	—	5/3/2016	—	—	\$79,400	\$79,400	7.67	%

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, 2017

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(10)(18)	—	1/13/2015	—	21,753,102	\$19,373	\$19,288	
	Preferred shares (3)(10)(18)	—	1/13/2015	—	6,011,522	5,353	5,330	
	Preferred shares (3)(10)(19)	—	6/30/2017	—	10,863,583	10,864	10,864	
	Ordinary shares (2)(10)	—	1/13/2015	—	2,096,477	1,925	7,313	
	Ordinary shares (3)(10)	—	1/13/2015	—	1,993,749	531	6,954	
						38,046	49,749	4.81 %
NM CLFX LP								
Net Lease	Membership interest (8)(10)	—	10/6/2017	—	—	12,538	12,538	1.21 %
NM KRLN LLC								
Net Lease	Membership interest (8)(10)	—	11/15/2016	—	—	7,510	8,195	0.79 %
NM DRVT LLC								
Net Lease	Membership interest (8)(10)	—	11/18/2016	—	—	5,152	5,385	0.52 %
NM APP US LLC								
Net Lease	Membership interest	—	9/13/2016	—	—	5,080	5,138	0.50 %



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	(8)(10)								
NM JRA LLC									
Net Lease	Membership interest (8)(10)	—	8/12/2016	—	—	2,043	2,191	0.21	%
Total Shares - United States						\$149,769	\$162,596	15.71	%
Total Shares Warrants - United States						\$157,114	\$170,558	16.48	%
UniTek Global Services, Inc.									
Business Services	Warrants (3)(10)	—	6/30/2017	12/31/2018	526,925	\$—	\$—	—	%
Total Warrants - United States						\$—	\$—	—	%
Total Funded Investments Unfunded Debt Investments - United States						\$171,958	\$185,402	17.91	%
UniTek Global Services, Inc.									
Business Services	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	\$ 2,048	\$—	\$—		
	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	758	—	—		
Total Unfunded Debt Investments - United States					2,806	—	—	—	%
Total Controlled Investments Total Investments					\$ 2,806	\$—	\$—	—	%
						\$171,958	\$185,402	17.91	%
						\$1,791,227	\$1,825,660	176.4	%

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

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as 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.

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, 2017

(in thousands, except shares)

- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. Borrowings, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in NMF YP Holdings, Inc.
- (6) Investment is held in NMF Ancora Holdings, Inc.
- (7) Investment is held in NMF QID NGL Holdings, Inc.
- (8) Investment is held in New Mountain Net Lease Corporation.  
All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2017.
- (9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. Fair Value, for details.
- (10) 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.
- (11) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (12) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (13) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (14) 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.
- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (17)
- (18)

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The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.

- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
  - (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
  - (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
  - (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB
- (23) Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.

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, 2017

(in thousands, except shares)

Denotes investments in which the Company is an “Affiliated Person”, as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), due to owning or holding the power to vote 5.0% or more of the outstanding (24) voting securities of the investment but not controlling the company. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a non-controlled/affiliated investment is as follows:

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

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

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

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

Portfolio Company	Fair Value at December 31, 2016	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	\$ 27,000	\$—	\$ (27,000 )	\$ —	\$—	\$—	\$—	\$—	\$—
NM APP CANADA CORP	—	7,345	—	— 617	7,962	—	911	—	
NM APP US LLC	—	5,080	—	— 58	5,138	—	594	—	
NM CLFX LP	—	12,538	—	—	12,538	—	341	—	
NM DRVT LLC	—	5,152	—	— 233	5,385	—	520	—	

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NM JRA LLC	—	2,043	—	—	148	2,191	—	232	—
NM KRLN LLC	—	7,510	—	—	685	8,195	—	736	—
NMFC Senior Loan Program II LLC	71,460	7,940	—	—	—	79,400	—	12,406	—
UniTek Global Services, Inc.	56,361	14,777	(4,006 )	—	(2,539 )	64,593	1,709	4,415	819
Total Controlled Investments	\$ 154,821	\$ 62,385	\$ (31,006 )	\$ —	—\$ (798 )	\$ 185,402	\$ 1,709	\$ 20,155	\$ 819

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

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

\* All or a portion of interest contains PIK interest.

Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act.

\*\* Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2017, 11.0% of the Company’s total investments were non-qualifying assets.

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

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## New Mountain Finance Corporation

## Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

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

  

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

  

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

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

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New Mountain Finance Corporation

September 30, 2018

(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 and completed its initial public offering ("IPO") on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since NMFC's IPO, and through September 30, 2018, NMFC raised approximately \$614,581 in net proceeds from additional offerings of its common stock.

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

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

The Company's investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and



subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the “last out” tranche. In some cases, the Company’s investments may also include equity interests. The Company's primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I and SBIC II investments must be in SBA eligible small businesses. The Company’s portfolio may be concentrated in a limited number of industries. As of September 30, 2018, the Company’s top five industry concentrations were business services, software, healthcare services, education and investment funds.

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Note 2. Summary of Significant Accounting Policies

Basis of accounting—The Company’s consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification Topic 946, Financial Services—Investment Companies, (“ASC 946”). NMFC consolidates its wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP.

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

The Company’s interim consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X. Accordingly, the Company’s interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period’s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2018.

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

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

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

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- Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser
- a. responsible for the credit monitoring;
  - b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management; 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
  - c. which the Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Company's board of directors; and
  - d. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

#### New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLC's investments are disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2018.

Below is certain summarized property information for NMNLC as of September 30, 2018:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of September 30, 2018
NM NL Holdings LP / NM GP Holdco LLC	FXI Inc.	6/30/2038	IN / MS / NM / OR / PA / Mexico	2,122	\$ 20,098
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	14,653
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,540
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	8,554
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	8,517
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,547
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	5,401
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	2,251
					\$ 77,561

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—Secured Borrowing and Collateral, (“ASC 860”) when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of September 30, 2018 and

December 31, 2017, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a fair value of \$25,200 and \$25,212, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The

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private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to the Company, and therefore, the Company does not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized the Company's contractual rights under the collateralized agreement. The Company continues to exercise its rights under the collateralized agreement and continues to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

**Cash and cash equivalents**—Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less. The Company did not hold any cash equivalents as of September 30, 2018 and December 31, 2017.

**Revenue recognition**

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

**Interest and dividend income:** Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three and nine months ended September 30, 2018, the Company recognized PIK and non-cash interest from investments of \$2,462 and \$6,074, respectively, and PIK and non-cash dividends from investments of \$7,236 and \$20,987, respectively. For the three and nine months ended September 30, 2017, the Company recognized PIK and non-cash interest from investments of \$1,552 and \$4,747, respectively, and PIK and non-cash dividends from investments of \$5,395 and \$11,713, respectively.

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

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

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

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

**Deferred financing costs**—The deferred financing costs of the Company consists of capitalized expenses related to the origination and amending of the Company's borrowings. The Company amortizes these costs into expense over the

stated life of the related borrowing. See Note 7. Borrowings, for details.

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

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

To continue to qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code. Since U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

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

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

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

For the three and nine months ended September 30, 2018, the Company recognized a total income tax provision of approximately \$227 and \$1,272, respectively, for the Company's consolidated subsidiaries. For the three and nine months ended September 30, 2018, the Company recorded current income tax expense of approximately \$225 and \$286, respectively, and deferred income tax provision of approximately \$2 and \$986, respectively. For the three and nine months ended September 30, 2017, the Company recognized a total income tax (provision) benefit of approximately \$(500) and \$184, respectively, for the Company's consolidated subsidiaries. For the three and nine months ended September 30, 2017, the Company recorded current income tax expense of approximately \$106 and \$341, respectively, and deferred income tax (provision) benefit of approximately \$(394) and \$525, respectively.

As of September 30, 2018 and December 31, 2017, the Company had \$1,880 and \$894, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

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

Distributions—Distributions to common stockholders of the Company are recorded on the record date as set by the board of directors. The Company intends to make distributions to its stockholders that will be sufficient to enable the Company to maintain its status as a RIC. The Company intends to distribute approximately all of its net investment income 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 for reinvestment of any distributions declared on behalf of its stockholders, unless a stockholder elects to receive cash.

The Company applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is equal to or greater than 110.0% of the last determined net asset value of the shares, the Company will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Company's common



stock on the New York Stock Exchange (“NYSE”) on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and ask prices.

If the price at which newly issued shares are to be credited to stockholders’ accounts is less than 110.0% of the last determined net asset value of the shares, the Company will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan

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administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of the Company's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of the Company's stockholders have been tabulated.

Share repurchase program—On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to \$50,000 worth of the Company's common stock. Under the repurchase program, the Company was permitted, but was not obligated, to repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 29, 2017, the Company's board of directors extended the Company's repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2018 or until \$50,000 of its outstanding shares of common stock have been repurchased. During the three and nine months ended September 30, 2018 and September 30, 2017, the Company did not repurchase any shares of the Company's common stock. The Company previously repurchased \$2,948 of its common stock under the share repurchase program.

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.

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## Note 3. Investments

At September 30, 2018, the Company's investments consisted of the following:

## Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$1,028,884	\$1,030,033
Second lien	687,760	681,910
Subordinated	69,680	64,606
Equity and other	474,692	518,210
Total investments	\$2,261,016	\$2,294,759

## Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	\$613,010	\$642,027
Software	437,013	444,057
Healthcare Services	346,218	332,185
Education	210,248	208,008
Investment Fund	169,200	169,200
Consumer Services	131,119	131,483
Energy	96,180	104,137
Federal Services	76,475	77,883
Net Lease	74,686	77,561
Distribution & Logistics	67,077	68,100
Healthcare Information Technology	14,716	14,925
Packaging	14,324	14,391
Business Products	10,750	10,802
Total investments	\$2,261,016	\$2,294,759

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At December 31, 2017, the Company's investments consisted of the following:

## Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$688,696	\$693,563
Second lien	674,536	682,950
Subordinated	70,991	70,257
Equity and other	357,004	378,890
Total investments	\$1,791,227	\$1,825,660

## Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	\$566,344	\$581,434
Software	291,445	298,172
Healthcare Services	174,046	175,348
Education	176,399	173,072
Consumer Services	129,311	131,116
Distribution & Logistics	107,835	112,241
Investment Fund	102,400	102,400
Federal Services	77,001	78,433
Energy	69,411	74,124
Net Lease	39,668	41,409
Healthcare Information Technology	33,525	34,020
Packaging	14,309	14,391
Business Products	9,533	9,500
Total investments	\$1,791,227	\$1,825,660

During the second quarter of 2018, the Company placed a portion of its second lien position in National HME, Inc. on non-accrual status and wrote down the aggregate fair value of its preferred shares in TW-NHME Holdings Corp. (together with the Company's second lien position, "NHME") to \$0. As of September 30, 2018, the Company's investments in NHME had an aggregate cost basis of \$28,461, an aggregate fair value of \$13,650 and total unearned interest income of \$390 and \$797, respectively, for the three and nine months then ended.

During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of September 30, 2018, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of \$1,004, an aggregate fair value of \$44 and total unearned interest income of \$28 and \$117, respectively, for the three and nine months then ended.

During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, the Company's investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27,231, an aggregate fair value of \$12,725 and total unearned interest income of \$1,388 for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Sierra. Prior to the extinguishment in July 2017, the Company's original investment in Sierra had an aggregate cost of \$27,307, an aggregate fair value of \$12,858 and total unearned interest income of \$1,687. The extinguishment resulted in a realized loss of \$14,449. As a result of the restructuring, the Company received common shares in Sierra Hamilton Holding Corporation. As of September 30, 2018, the Company's investment has an aggregate cost basis of \$12,782 and an aggregate fair value of \$12,527. As of September 30, 2018, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$49,735 and \$0, respectively. As of September 30, 2018, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$88,849. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2018.



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As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,716 and \$0, respectively. As of December 31, 2017, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2017.

### PPVA Black Elk (Equity) LLC

On May 3, 2013, the Company entered into a collateralized securities purchase and put agreement (the "SPP Agreement") with a private hedge fund. Under the SPP Agreement, the Company purchased twenty million Class E Preferred Units of Black Elk Energy Offshore Operations, LLC ("Black Elk") for \$20,000 with a corresponding obligation of the private hedge fund to repurchase the preferred units for \$20,000 plus other amounts due under the SPP Agreement. The majority owner of Black Elk was the private hedge fund. In August 2014, the Company received a payment of \$20,540, the full amount due under the SPP Agreement.

In August 2017, a trustee (the "Trustee") for Black Elk informed the Company that the Trustee intended to assert a fraudulent conveyance claim (the "Claim") against the Company and one of its affiliates seeking the return of the \$20,540 repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to the Company under the SPP Agreement. The Company was unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, the Company settled the Trustee's \$20,540 Claim for \$16,000 and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16,000 that is owed to the Company under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. The Company continues to exercise its rights under the SPP Agreement and continues to monitor the liquidation process of the private hedge fund. During the nine months ended September 30, 2018, the Company received a \$1,500 payment from its insurance carrier in respect to the settlement. As of September 30, 2018, the SPP Agreement has a cost basis of \$14,500 and a fair value of \$12,180, which is reflective of the higher inherent risk in this transaction.

### 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, interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2021, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period was through July 31, 2018. In September 2018, the re-investment period was extended until August 31, 2019. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of September 30, 2018, SLP I had total investments with an aggregate fair value of approximately \$328,645, debt outstanding of \$237,267 and capital that had been called and funded of \$93,000. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348,652, debt outstanding of \$223,667 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2018 and December 31, 2017.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in

connection with the administrative services provided to SLP I. For the three and nine months ended September 30, 2018, the Company earned approximately \$295 and \$891, respectively, in management fees related to SLP I, which is included in other income. For the three and nine months ended September 30, 2017, the Company earned approximately \$286 and \$865, respectively, in management fees related to SLP I, which is included in other income. As of September 30, 2018 and December 31, 2017, approximately \$295 and \$291, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and nine months ended September 30, 2018, the Company earned approximately \$787 and \$2,423, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and nine months ended September 30, 2017, the Company earned approximately \$816 and \$2,662, respectively, of dividend income related to SLP I, which is included in dividend income. As of September 30, 2018 and December 31, 2017, approximately \$787 and \$836, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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## NMFC Senior Loan Program II LLC

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

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of September 30, 2018, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600, respectively, of equity to SLP II. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility bears interest at a rate of LIBOR plus 1.60% per annum. As of September 30, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$353,281 and \$382,534, respectively, and debt outstanding under its credit facility of \$262,370 and \$266,270, respectively. As of September 30, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of September 30, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$8,753 and \$4,863, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
First lien investments (1)	360,933	386,100
Weighted average interest rate on first lien investments (2)	6.55 %	6.05 %
Number of portfolio companies in SLP II	32	35
Largest portfolio company investment (1)	17,183	17,369
Total of five largest portfolio company investments (1)	80,958	81,728

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.



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The following table is a listing of the individual investments in SLP II's portfolio as of September 30, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien:						
Access CIG, LLC	Business Services	5.99% (L + 3.75%)	2/27/2025	\$8,848	\$8,806	\$8,906
ADG, LLC	Healthcare Services	6.99% (L + 4.75%)	9/28/2023	16,905	16,778	16,651
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.39% (L + 4.00%)	8/21/2023	14,701	14,521	14,774
Brave Parent Holdings, Inc.	Software	6.39% (L + 4.00%)	4/18/2025	15,461	15,406	15,519
CentralSquare Technologies, LLC	Software	5.99% (L + 3.75%)	8/29/2025	15,000	14,963	15,070
CHA Holdings, Inc.	Business Services	6.89% (L + 4.50%)	4/10/2025	9,832	9,786	9,906
CommerceHub, Inc.	Software	5.99% (L + 3.75%)	5/21/2025	2,493	2,482	2,503
Drilling Info Holdings, Inc.	Business Services	6.54% (L + 4.25%)	7/30/2025	11,250	11,202	11,237
FPC Holdings, Inc.	Distribution & Logistics	6.74% (L + 4.50%)	11/18/2022	14,925	14,517	15,069
Greenway Health, LLC	Software	6.14% (L + 3.75%)	2/16/2024	14,812	14,753	14,832
Idera, Inc.	Software	6.75% (L + 4.50%)	6/28/2024	12,523	12,416	12,644
J.D. Power (fka J.D. Power and Associates)	Business Services	6.49% (L + 4.25%)	9/7/2023	13,256	13,213	13,344
Keystone Acquisition Corp.	Healthcare Services	7.64% (L + 5.25%)	5/1/2024	5,346	5,301	5,383
LSCS Holdings, Inc.	Healthcare Services	6.63% (L + 4.25%)	3/17/2025	5,321	5,312	5,321
LSCS Holdings, Inc.	Healthcare Services	6.52% (L + 4.25%)	3/17/2025	1,374	1,371	1,374
Market Track, LLC	Business Services	6.64% (L + 4.25%)	6/5/2024	11,850	11,800	11,835
Medical Solutions Holdings, Inc.	Healthcare Services	5.99% (L + 3.75%)	6/14/2024	4,443	4,424	4,459
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	2,121	2,113	2,121
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	303	301	303
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	12,316	12,267	12,316
Navicure, Inc.	Healthcare Services	5.99% (L + 3.75%)	11/1/2024	2,928	2,915	2,942
	Software		5/25/2025	7,500	7,464	7,523

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NorthStar Financial Services Group, LLC		5.56% (L + 3.50%)					
Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC)	Consumer Services	6.49% (L + 4.25%)	10/10/2024	286	284	286	
Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC)	Consumer Services	6.49% (L + 4.25%)	10/10/2024	9,630	9,586	9,654	
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.64% (L + 5.25%)	4/29/2024	10,369	10,325	10,317	
Poseidon Intermediate, LLC	Software	6.50% (L + 4.25%)	8/15/2022	14,767	14,764	14,841	
Premise Health Holding Corp.	Healthcare Services	6.14% (L + 3.75%)	7/10/2025	1,390	1,383	1,397	
Project Accelerate Parent, LLC	Business Services	6.37% (L + 4.25%)	1/2/2025	14,925	14,856	15,018	
PSC Industrial Holdings Corp.	Industrial Services	5.91% (L + 3.75%)	10/11/2024	10,421	10,329	10,467	
Quest Software US Holdings Inc.	Software	6.57% (L + 4.25%)	5/16/2025	15,000	14,928	15,060	
Salient CRGT Inc.	Federal Services	7.99% (L + 5.75%)	2/28/2022	13,603	13,505	13,807	
Sierra Acquisition, Inc.	Food & Beverage	5.99% (L + 3.75%)	11/11/2024	3,722	3,705	3,754	
SSH Group Holdings, Inc.	Education	6.59% (L + 4.25%)	7/30/2025	9,000	8,978	9,090	
WP CityMD Bidco LLC	Healthcare Services	5.89% (L + 3.50%)	6/7/2024	14,850	14,819	14,831	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	1,457	1,462	1,457	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	12,069	12,059	12,069	
Zywave, Inc.	Software	7.34% (L + 5.00%)	11/17/2022	17,183	17,120	17,183	
Total Funded Investments				\$ 352,180	\$ 350,214	\$ 353,263	
Unfunded Investments - First lien:							
Access CIG, LLC	Business Services	—	2/27/2019	\$ 1,108	\$—	\$ 7	
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11	) 16	
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	2,249	(10	) (6	)
Ministry Brands, LLC	Software	—	10/18/2019	1,566	(8	) —	
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	1	
YI, LLC	Healthcare Services	—	11/7/2018	1,577	(8	) —	
Total Unfunded Investments				\$ 8,753	\$(37	) \$ 18	
Total Investments				\$ 360,933	\$ 350,177	\$ 353,281	

(1)

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of September 30, 2018.

Represents the fair value in accordance with Accounting Standards Codification Topic 820, Fair Value (2) Measurements and Disclosures (“ASC 820”). The Company's board of directors does not determine the fair value of the investments held by SLP II.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicure, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OEConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980

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Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$381,237	\$379,098	\$382,529
Unfunded Investments - First lien						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$2,728	\$(14 )	\$7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9 )	(3 )
Total Unfunded Investments				\$4,863	\$(23 )	\$5
Total Investments				\$386,100	\$379,075	\$382,534

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.

(1) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP II.



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Below is certain summarized financial information for SLP II as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and September 30, 2017:

Selected Balance Sheet Information:	September 30, December 31,			
	2018	2017		
Investments at fair value (cost of \$350,177 and \$379,075, respectively)	\$ 353,281	\$ 382,534		
Cash and other assets	17,417	8,065		
Total assets	\$ 370,698	\$ 390,599		
Credit facility	\$ 262,370	\$ 266,270		
Deferred financing costs	(1,526 )	(1,966 )		
Payable for unsettled securities purchased	—	15,964		
Distribution payable	3,500	3,500		
Other liabilities	2,722	2,891		
Total liabilities	267,066	286,659		
Members' capital	\$ 103,632	\$ 103,940		
Total liabilities and members' capital	\$ 370,698	\$ 390,599		
Selected Statement of Operations Information:	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest income	\$6,358	\$ 5,858	\$18,122	\$ 16,661
Other income	39	27	97	343
Total investment income	6,397	5,885	18,219	17,004
Interest and other financing expenses	2,686	2,185	7,667	6,108
Other expenses	140	159	504	533
Total expenses	2,826	2,344	8,171	6,641
Net investment income	3,571	3,541	10,048	10,363
Net realized gains on investments	125	223	758	2,145
Net change in unrealized appreciation (depreciation) of investments	(75 )	88	(355 )	(553 )
Net increase in members' capital	\$3,621	\$ 3,852	\$10,451	\$ 11,955

For the three and nine months ended September 30, 2018, the Company earned approximately \$2,779 and \$8,543, respectively, of dividend income related to SLP II, which is included in dividend income. For the three and nine months ended September 30, 2017, the Company earned approximately \$3,017 and \$9,627, respectively, of dividend income related to SLP II, which is included in dividend income. As of September 30, 2018 and December 31, 2017, approximately \$2,779 and \$2,779, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

#### NMFC Senior Loan Program III LLC

NMFC Senior Loan Program III LLC ("SLP III") was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between the

Company and SkyKnight Income II, LLC (“SkyKnight II”) and operates under a limited liability company agreement (the “SLP III Agreement”). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment



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decisions must be unanimously approved by the board of managers of SLP III, which has equal representation from the Company and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of September 30, 2018, the Company and SkyKnight II have committed \$80,000 and \$20,000, respectively, of equity to SLP III. As of September 30, 2018, the Company and SkyKnight II have contributed \$66,800 and \$16,700, respectively, of equity to SLP III. The Company's investment in SLP III is disclosed on the Company's Consolidated Schedule of Investments as of September 30, 2018.

On May 2, 2018, SLP III closed its \$300,000 revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. As of September 30, 2018, SLP III had total investments with an aggregate fair value of approximately \$322,246 and debt outstanding under its credit facility of \$218,800. As of September 30, 2018, none of SLP III's investments were on non-accrual. Additionally, as of September 30, 2018, SLP III had unfunded commitments in the form of delayed draws of \$15,171. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of September 30, 2018:

	September 30, 2018
First lien investments (1)	336,383
Weighted average interest rate on first lien investments (2)	6.16 %
Number of portfolio companies in SLP III	34
Largest portfolio company investment (1)	19,000
Total of five largest portfolio company investments (1)	82,959

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP III's portfolio as of September 30, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	5.99% (L + 3.75%)	2/27/2025	\$1,219	\$1,219	\$1,227
Affordable Care Holding Corp.	Healthcare Services	7.04% (L + 4.75%)	10/24/2022	1,028	1,033	1,032
Bracket Intermediate Holding Corp.	Healthcare Services	6.57% (L + 4.25%)	9/5/2025	15,000	14,925	15,000
Brave Parent Holdings, Inc.	Software	6.39% (L + 4.00%)	4/18/2025	14,964	14,911	15,019
CentralSquare Technologies, LLC	Software	5.99% (L + 3.75%)	8/29/2025	15,000	14,963	15,070
Certara Holdco, Inc.	Healthcare I.T.	5.89% (L + 3.50%)	8/15/2024	1,279	1,284	1,283
CommerceHub, Inc.	Software	5.99% (L + 3.75%)	5/21/2025	14,964	14,892	15,019
CRCI Longhorn Holdings, Inc.	Business Services	5.62% (L + 3.50%)	8/8/2025	15,001	14,927	15,042
Dentalcorp Perfect Smile ULC	Healthcare Services	5.99% (L + 3.75%)	6/6/2025	11,971	11,941	12,082
Dentalcorp Perfect Smile ULC	Healthcare Services	5.99% (L + 3.75%)	6/6/2025	749	753	756
Drilling Info Holdings, Inc.	Business Services	6.54% (L + 4.25%)	7/30/2025	16,499	16,417	16,478
Financial & Risk US Holdings, Inc.	Business Services	6.01% (L + 3.75%)	10/1/2025	8,000	7,980	7,992
Greenway Health, LLC	Software	6.14% (L + 3.75%)	2/16/2024	14,858	14,869	14,877
Heartland Dental, LLC	Healthcare Services	5.99% (L + 3.75%)	4/30/2025	16,480	16,402	16,508
Idera, Inc.	Software	6.76% (L + 4.50%)	6/28/2024	2,294	2,294	2,322
Market Track, LLC	Business Services	6.64% (L + 4.25%)	6/5/2024	4,839	4,833	4,833
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	4,607	4,586	4,607
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	303	301	303
National Intergovernmental Purchasing Alliance Company	Business Services	6.14% (L + 3.75%)	5/23/2025	14,963	14,949	15,019
Navex Topco, Inc.	Software	5.37% (L + 3.25%)	9/5/2025	15,000	14,925	15,006
Navicure, Inc.	Healthcare Services	5.99% (L + 3.75%)	11/1/2024	2,992	2,992	3,007
Netsmart Technologies, Inc.			4/19/2023	10,464	10,464	10,543

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	Healthcare I.T.	5.99% (L + 3.75%)					
Newport Group Holdings II, Inc.	Business Services	5.90% (L + 3.75%)	9/12/2025	5,000	4,975	5,019	
NorthStar Financial Services Group, LLC	Software	5.56% (L + 3.50%)	5/25/2025	15,000	14,928	15,047	
OEConnection LLC	Business Services	6.25% (L + 4.00%)	11/22/2024	1,834	1,848	1,844	
Pathway Vet Alliance LLC	Consumer Services	6.49% (L + 4.25%)	10/10/2024	1,333	1,326	1,336	
Pelican Products, Inc.	Business Products	5.60% (L + 3.50%)	5/1/2025	4,988	4,976	4,999	
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.64% (L + 5.25%)	4/29/2024	12,628	12,565	12,565	
Premise Health Holding Corp.	Healthcare Services	6.14% (L + 3.75%)	7/10/2025	13,897	13,828	13,971	
Quest Software US Holdings Inc.	Software	6.57% (L + 4.25%)	5/16/2025	15,000	14,928	15,060	
Sierra Enterprises, LLC	Food & Beverage	5.99% (L + 3.75%)	11/11/2024	2,488	2,485	2,509	
SSH Group Holdings, Inc.	Education	6.59% (L + 4.25%)	7/30/2025	15,000	14,963	15,150	
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.75% (L + 3.50%)	7/17/2025	3,814	3,795	3,849	
VT Topco, Inc.	Business Services	6.09% (L + 3.75%)	8/1/2025	8,000	7,980	8,075	
VT Topco, Inc.	Business Services	6.14% (L + 3.75%)	8/1/2025	373	376	377	
WP CityMD Bidco LLC	Healthcare Services	5.89% (L + 3.50%)	6/7/2024	14,925	14,925	14,906	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	3,978	3,992	3,978	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	480	482	480	
Total Funded Investments				\$321,212	\$320,232	\$322,190	
Unfunded Investments - First lien							
Dentalcorp Perfect Smile ULC	Healthcare Services	—	6/6/2020	\$2,249	\$(6 )	\$21	
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	2,501	(13 )	(6 )	
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	2,478	—	4	
Ministry Brands, LLC	Software	—	10/18/2019	1,566	(8 )	—	
Pathway Vet Alliance LLC	Consumer Services	—	5/25/2020	1,940	(10 )	5	
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3 )	6	
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	—	7/17/2019	1,187	—	11	

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VT Topco, Inc.	Business Services	—	8/1/2020	1,627	(4	) 15
YI, LLC	Healthcare Services	—	11/7/2018	520	2	—
Total Unfunded Investments				\$15,171	\$(42	) \$56
Total Investments				\$336,383	\$320,190	\$322,246

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(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of September 30, 2018.

(2) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP III.

Below is certain summarized financial information for SLP III as of September 30, 2018 and for the three and nine months ended September 30, 2018:

Selected Balance Sheet Information:	September 30, 2018		
Investments at fair value (cost of \$320,190)	\$ 322,246		
Cash and other assets	6,705		
Total assets	\$ 328,951		
Credit facility	\$ 218,800		
Deferred financing costs	(2,996 )		
Payable for unsettled securities purchased	22,839		
Distribution payable	1,200		
Other liabilities	3,465		
Total liabilities	243,308		
Members' capital	\$ 85,643		
Total liabilities and members' capital	\$ 328,951		
		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018(1)
Selected Statement of Operations Information:			
Interest income		\$ 3,170	\$ 3,960
Other income		80	102
Total investment income		3,250	4,062
Interest and other financing expenses		1,853	2,427
Other expenses		123	349
Total expenses		1,976	2,776
Net investment income		1,274	1,286
Net realized gains on investments		1	1
Net change in unrealized appreciation (depreciation) of investments		1,438	2,056
Net increase in members' capital		\$ 2,713	\$ 3,343

(1) SLP III commenced operations on April 25, 2018.

For the three and nine months ended September 30, 2018, the Company earned approximately \$960 and \$960, respectively, of dividend income related to SLP III, which is included in dividend income. As of September 30, 2018 approximately \$960 of dividend income related to SLP III was included in interest and dividend receivable.

The Company has determined that SLP III is an investment company under ASC 946; however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, ASC 810 concludes that in a joint venture where both members have

equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, the Company does not consolidate SLP III.

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rule 10-01(b)(1), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule. As of September 30, 2018, UniTek Global Services, Inc. (“UniTek”) is

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considered a significant unconsolidated subsidiary under Regulation S-X Rule 10-01(b)(1). Based on the requirements under Regulation S-X 10-01(b)(1), the summarized consolidated financial information of UniTek is shown below. UniTek Global Services, Inc.

UniTek is a full service provider of technical services to customers in the wireline telecommunications, satellite television and broadband cable industries in the U.S. and Canada. UniTek's customers are primarily telecommunication services, satellite television, and broadband cable providers, their contractors, and municipalities and related agencies. UniTek's customers utilize its services to engineer, build and maintain their network infrastructure and to provide residential and commercial fulfillment services, which is critical to their ability to deliver voice, video and data services to end users.

Summary of Operations	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net Sales	\$76,360	\$ 79,002	\$222,486	\$ 207,112
Cost of goods sold	63,592	61,079	182,128	160,932
Gross Profit	12,768	17,923	40,358	46,180
Other expenses	17,555	13,331	44,874	39,396
Net income from continuing operations before extraordinary items	(4,787 )	4,592	(4,516 )	6,784
Profit (loss) from discontinued operations	29	(797 )	22	(3,755 )
Net income (loss)	\$(4,758 )	\$ 3,795	\$(4,494 )	\$ 3,029

**Investment Risk Factors**

First and second lien debt that the Company invests in is almost entirely rated below investment grade or may be unrated. Debt investments rated below investment grade are often referred to as “leveraged loans”, “high yield” or “junk” debt investments, and may be considered “high risk” compared to debt investments that are rated investment grade. These debt investments are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal, and such risk of default could reduce the net asset value and income distributions of the Company. In addition, some of the Company's debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien debt investments. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and/or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

The Company may directly invest in the equity of private companies or, in some cases, equity investments could be made in connection with a debt investment. Equity investments may or may not fluctuate in value, resulting in recognized realized gains or losses upon disposition.

**Note 4. Fair Value**

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

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

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

Quoted prices for similar assets or liabilities in active markets;



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• Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

• Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

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

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

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

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

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of September 30, 2018:

	Total	Level I	Level II	Level III
First lien	\$ 1,030,033	\$ —	\$ 143,479	\$ 886,554
Second lien	681,910	—	358,727	323,183
Subordinated	64,606	—	26,262	38,344
Equity and other	518,210	6	—	518,204
Total investments	\$ 2,294,759	\$ 6	\$ 528,468	\$ 1,766,285

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

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

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The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2018, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at September 30, 2018:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2018	\$1,621,911	\$711,078	\$381,865	\$41,126	\$487,842
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	3,259	157	39	—	3,063
Net change in unrealized (depreciation) appreciation	(635)	) 59	1,392	(111)	) (1,975)
Purchases, including capitalized PIK and revolver fundings	411,774	291,004	85,525	908	34,337
Proceeds from sales and paydowns of investments	(242,085)	) (122,624)	(110,819)	) (3,579)	) (5,063)
Transfers into Level III(1)	6,880	6,880	—	—	—
Transfers out of Level III(1)	(34,819)	) —	(34,819)	) —	—
Fair Value, September 30, 2018	\$1,766,285	\$886,554	\$323,183	\$38,344	\$518,204
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:	\$2,694	\$213	\$2,058	\$ (111)	) \$534

(1) As of September 30, 2018, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended September 30, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at September 30, 2017:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, June 30, 2017	\$1,240,023	\$502,263	\$402,565	\$26,677	\$308,518
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(14,273)	) (14,433)	) 160	—	—
Net change in unrealized appreciation (depreciation)	17,054	15,910	4,825	(1,749)	) (1,932)
Purchases, including capitalized PIK and revolver fundings(1)	114,959	94,085	—	780	20,094
Proceeds from sales and paydowns of investments(1)	(65,229)	) (26,505)	) (38,724)	) —	—
Transfers into Level III(2)	49,805	23,942	25,856	—	7
Transfers out of Level III (2)	(80,289)	) (60,375)	) (19,914)	) —	—
Fair Value, September 30, 2017	\$1,262,050	\$534,887	\$374,768	\$25,708	\$326,687
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:	\$2,394	\$1,370	\$4,705	\$ (1,749)	) \$(1,932)

(1) Includes reorganizations and restructurings.

(2) As of September 30, 2017, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2018, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at September 30, 2018:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2017	\$1,405,754	\$556,697	\$443,082	\$27,101	\$378,874
Total gains or losses included in earnings:					
Net realized gains (losses) on investments	2,242	269	(1,090)	—	3,063
Net change in unrealized appreciation (depreciation)	5,486	(1,324)	(12,189)	(2,644)	21,643
Purchases, including capitalized PIK and revolver fundings	838,984	533,735	166,596	18,966	119,687
Proceeds from sales and paydowns of investments	(420,781)	(239,187)	(171,452)	(5,079)	(5,063)
Transfers into Level III(1)	92,429	92,429	—	—	—
Transfers out of Level III(1)	(157,829)	(56,065)	(101,764)	—	—
Fair Value, September 30, 2018	\$1,766,285	\$886,554	\$323,183	\$38,344	\$518,204
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:	\$9,346	\$(471)	\$(11,691)	\$(2,644)	\$24,152

(1) As of September 30, 2018, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

The following table summarizes the changes in fair value of Level III portfolio investments for the nine months ended September 30, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at September 30, 2017:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2016	\$1,066,878	\$530,601	\$324,177	\$24,653	\$187,447
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(40,577)	(13,877)	(27,108)	—	408
Net change in unrealized appreciation (depreciation)	42,375	12,352	36,523	(1,201)	(5,299)
Purchases, including capitalized PIK and revolver fundings(1)	484,630	217,592	118,614	2,756	145,668
Proceeds from sales and paydowns of investments(1)	(243,879)	(147,376)	(94,466)	(500)	(1,537)
Transfers into Level III(2)	68,484	19,608	48,876	—	—
Transfers out of Level III(2)	(115,861)	(84,013)	(31,848)	—	—
Fair Value, September 30, 2017	\$1,262,050	\$534,887	\$374,768	\$25,708	\$326,687
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:	\$5,019	\$2,847	\$8,939	\$(1,201)	\$(5,566)

(1) Includes reorganizations and restructurings.

(2) As of September 30, 2017, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and nine months ended September 30, 2018 and September 30, 2017. Transfers into Level III occur as quotations obtained through pricing services are deemed not representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur

based on the increase or decrease in the availability of certain observable inputs.

The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

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

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

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

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

**Market Based Approach:** The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of September 30, 2018 and December 31, 2017, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

**Income Based Approach:** The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of September 30, 2018 and December 31, 2017, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.



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The unobservable inputs used in the fair value measurement of the Company's Level III investments as of September 30, 2018 were as follows:

Type	Fair Value as of September 30, 2018	Approach	Unobservable Input	Range		Weighted Average
				Low	High	
First lien	\$594,309	Market & income approach	EBITDA multiple	2.0x	32.0x	12.0x
			Revenue multiple	3.5x	6.5x	5.5x
			Discount rate	6.9 %	14.3 %	9.7 %
Second lien	163,957 128,288 105,801	Market quote Other Market & income approach	Broker quote	N/A	N/A	N/A
			N/A(1)	N/A	N/A	N/A
			EBITDA multiple	7.5x	17.0x	12.2x
Subordinated	217,382 38,344	Market quote Market & income approach	Revenue multiple	2.5x	3.3x	2.9x
			Discount rate	11.1 %	13.6 %	11.7 %
			Broker quote	N/A	N/A	N/A
Equity and other	517,709	Market & income approach	EBITDA multiple	6.5x	11.0x	10.0x
			Revenue multiple	2.5x	3.3x	2.9x
			Discount rate	8.1 %	22.0 %	19.0 %
	495	Black Scholes analysis	Expected life in years	7.5	7.5	7.5
			Volatility	38.0 %	38.0 %	38.0 %
			Discount rate	2.9 %	2.9 %	2.9 %
	\$1,766,285					

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

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

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

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

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the NMFC Credit Facility (as defined in Note 7. Borrowings) are representative of market. The carrying values of the Holdings Credit Facility and NMFC Credit Facility approximate fair value as of September 30, 2018, as the facilities are continually monitored and examined by both the borrower and the lender and are considered Level III. The carrying value of the SBA-guaranteed debentures, the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes and the 2018B Unsecured Note (as defined in Note 7. Borrowings) approximate fair value as of September 30, 2018 based on a comparison of market interest rates for the Company's borrowings and similar entities and are considered Level III. The fair value of the Convertible Notes and the 5.75% Unsecured Notes (as defined in Note 7. Borrowings) as of September 30, 2018 was \$272,880 and \$50,000, respectively, which was based on quoted prices and considered Level II. See Note 7. Borrowings, for details. The carrying value of the collateralized agreement approximates fair value as of September 30, 2018 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

The Company entered into an investment advisory and management agreement (the “Investment Management Agreement”) with the Investment Adviser which was most recently re-approved by the Company's board of directors on February 7, 2018. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations

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of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee. Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company’s gross assets, which equals the Company’s total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility (as defined below) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company’s gross assets, which equals the Company’s total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The Company has not invested, and currently is not invested, in derivatives. To the extent the Company invests in derivatives in the future, the Company will use the actual value of the derivatives, as reported on the Consolidated Statements of Assets and Liabilities, for purposes of calculating its base management fee.

Since the IPO, the base management fee calculation has deducted the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the "SLF Credit Facility"). The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company’s existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and formed the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. Borrowings). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of September 30, 2018 and September 30, 2017 was approximately \$446,587 and \$321,390, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three and nine months ended September 30, 2018, management fees waived were approximately \$1,766 and \$4,583, respectively. For the three and nine months ended September 30, 2017, management fees waived were approximately \$1,483 and \$4,324, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company’s “Pre-Incentive Fee Net Investment Income” for the immediately preceding quarter, subject to a “preferred return”, or “hurdle”, and a “catch-up” feature. “Pre-Incentive Fee Net Investment Income” means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company’s operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the “Administration Agreement”), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of September 30, 2018), 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.

Pre-Incentive Fee 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 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 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 Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 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 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 Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Net Investment Income exceeds 2.5% in any calendar quarter.

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

For the three and nine months ended September 30, 2018, no incentive fees were waived. For the three and nine months ended September 30, 2017, incentive fees waived were approximately \$0 and \$1,800, respectively. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and 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 realized capital gains and realized capital losses and the cumulative net unrealized capital appreciation and 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 realized capital gains computed net of all realized capital losses and 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 and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Management fee	\$10,018	\$ 8,422	\$28,011	\$ 24,311
Less: management fee waiver	(1,766 )	(1,483 )	(4,583 )	(4,324 )
Total management fee	8,252	6,939	23,428	19,987
Incentive fee, excluding accrued capital gains incentive fees	\$6,780	\$ 6,573	\$19,644	\$ 18,430
Less: incentive fee waiver	—	—	—	(1,800 )
Total incentive fee	6,780	6,573	19,644	16,630
Accrued capital gains incentive fees(1)	\$—	\$ —	\$—	\$ —

As of September 30, 2018 and September 30, 2017, no actual capital gains incentive fee was owed under the (1)Investment Management Agreement by the Company, as cumulative net realized capital gains did not exceed cumulative unrealized capital depreciation.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the United States Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three and nine months ended September 30, 2018, approximately \$515 and \$1,725, respectively, of indirect

administrative expenses were included in administrative expenses of which \$0 and \$276, respectively, of indirect administrative expenses were waived by the Administrator. For the three and nine months ended September 30, 2017, approximately \$361 and \$1,144, respectively, of indirect administrative expenses were included in administrative expenses, of which \$0 and \$416, respectively, of indirect

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administrative expenses were waived by the Administrator. As of September 30, 2018 and December 31, 2017, approximately \$762 and \$444, respectively, of indirect administrative expenses were included in payable to affiliates. The Company, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator a non-exclusive, royalty-free license to use the “New Mountain” and the “New Mountain Finance” names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Company, the Investment Adviser and the Administrator will have a right to use the “New Mountain” and “New Mountain Finance” names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Company. Other than with respect to this limited license, the Company, the Investment Adviser and the Administrator will have no legal right to the “New Mountain” or the “New Mountain Finance” names.

Note 6. Related Parties

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

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

The Company has entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company’s chief financial officer and chief compliance officer and their respective staffs.

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

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

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

Note 7. Borrowings

On March 23, 2018, the Small Business Credit Availability Act (the “SBCA”) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, the Company's board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to the Company at a special meeting of stockholders, which was held on June 8, 2018.

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The stockholder proposal was approved by the required votes of the Company's stockholders at such special meeting of stockholders, and thus the Company became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. As a result of the Company's exemptive relief received on November 5, 2014, the Company is permitted to exclude its SBA-guaranteed debentures from the 150.0% asset coverage ratio that the Company is required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that the Company not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that the Company not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of September 30, 2018, the Company's asset coverage ratio was 185.7%.

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

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. 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 LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Effective April 1, 2018, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended		
	September 30,	September 30,	September 30,	September 30,	
	2018	2017	2018	2017	
Interest expense	\$4,002	\$ 3,081	\$10,719	\$ 8,684	
Non-usage fee	\$146	\$ 179	\$537	\$ 536	
Amortization of financing costs	\$630	\$ 406	\$1,870	\$ 1,204	
Weighted average interest rate	4.2	% 3.4	% 4.1	% 3.3	%
Effective interest rate	5.0	% 4.1	% 5.0	% 4.0	%
Average debt outstanding	\$379,235	\$ 352,372	\$351,421	\$ 351,594	

As of September 30, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$465,963 and \$312,363, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.



NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the “NMFC Credit Facility”), dated June 4, 2014, among the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, the Company entered into an amendment to the NMFC Credit Facility, which extended the maturity date to June 4, 2022. On July 5, 2018, the Company further amended the NMFC Credit Facility to include the financial covenants related to the asset coverage discussed above. The NMFC Credit Facility is guaranteed by certain domestic subsidiaries of the Company and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

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As of September 30, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Interest expense	\$1,431	\$ 205	\$3,802	\$ 1,278	
Non-usage fee	\$18	\$ 97	\$89	\$ 212	
Amortization of financing costs	\$123	\$ 99	\$356	\$ 293	
Weighted average interest rate	4.7	% 3.6	% 4.5	% 3.5	%
Effective interest rate	5.1	% 7.3	% 5.0	% 5.0	%
Average debt outstanding	\$121,902	\$ 21,670	\$113,269	\$ 48,030	

As of September 30, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$135,000 and \$122,500, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

**NMNL Credit Facility**—The Revolving Credit Agreement (together with the related guarantee and security agreement, the "NMNL Credit Facility"), dated September 21, 2018, among NMNL, as the Borrower, and KeyBank National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2019. The NMNL Credit Facility is guaranteed by the Company and proceeds from the NMNL Credit Facility may be used for funding of additional acquisition properties.

The NMNL Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.15% per annum (as defined in the Revolving Credit Agreement).

As of September 30, 2018, the maximum amount of revolving borrowings available under the NMNL Credit Facility was \$30,000. As of September 30, 2018, the outstanding balance on the NMNL Credit Facility was \$0 and NMNL was in compliance with the applicable covenants in the NMNL Credit Facility on such dates.

**Convertible Notes**

**2014 Convertible Notes**—On June 3, 2014, the Company closed a private offering of \$115,000 aggregate principal amount of unsecured convertible notes (the "2014 Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "2014 Indenture"). The 2014 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the 2014 Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, the Company closed a public offering of an additional \$40,250 aggregate principal amount of the 2014 Convertible Notes. These additional 2014 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115,000 aggregate principal amount of 2014 Convertible Notes that the Company issued on June 3, 2014.

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

The Company may not redeem the 2014 Convertible Notes prior to maturity. No sinking fund is provided for the 2014 Convertible Notes. In addition, if certain corporate events occur, holders of the 2014 Convertible Notes may require the Company to repurchase for cash all or part of their 2014 Convertible Notes at a repurchase price equal to 100.0% of the

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principal amount of the 2014 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2014 Indenture contains certain covenants, including covenants requiring the Company to provide financial information to the holders of the 2014 Convertible Notes 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 2014 Indenture.

**2018 Convertible Notes**—On August 20, 2018, the Company closed a registered public offering of \$100,000 aggregate principal amount of unsecured convertible notes (the “2018 Convertible Notes” and together with the 2014 Convertible Notes, the “Convertible Notes”), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the “2018A Indenture”). On August 30, 2018, in connection with the registered public offering, the Company issued an additional \$15,000 aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes.

The 2018 Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2019. The 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted, repurchased or redeemed. The Company may not redeem the 2018 Convertible Notes prior to May 15, 2023. On or after May 15, 2023, the Company may redeem the 2018 Convertible Notes for cash, in whole or from time to time in part, at its option at a redemption price, subject to an exception for redemption dates occurring after a record date but on or prior to the interest payment date, equal to the sum of (i) 100% of the principal amount of the 2018 Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) a make-whole premium.

No sinking fund is provided for the 2018 Convertible Notes. Holders of 2018 Convertible Notes may, at their option, convert their 2018 Convertible Notes into shares of the Company’s common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date of the 2018 Convertible Notes. In addition, if certain corporate events occur, holders of the 2018 Convertible Notes may require the Company to repurchase for cash all or part of their 2018 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2018 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2018A Indenture contains certain covenants, including covenants requiring the Company to provide certain financial information to the holders of the 2018 Convertible Notes and the trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. The 2018A Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018A Indenture.

The following table summarizes certain key terms related to the convertible features of the Company’s Convertible Notes as of September 30, 2018.

	2014 Convertible Notes		2018 Convertible Notes	
Initial conversion premium	12.5	%	10.0	%
Initial conversion rate(1)	62.7746		65.8762	
Initial conversion price	\$ 15.93		\$ 15.18	
Conversion premium at September 30, 2018	11.7	%	10.0	%
Conversion rate at September 30, 2018(1)(2)	63.2794		65.8762	
Conversion price at September 30, 2018(2)(3)	\$ 15.80		\$ 15.18	
Last conversion price calculation date	June 3, 2018		August 20, 2018	

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

(2)

Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

The conversion price in effect at September 30, 2018 was calculated on the last anniversary of the issuance and (3) will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share for the 2014 Convertible Notes and \$13.80 per share for the 2018 Convertible Notes. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1 principal amount of the 2014 Convertible Notes or 72.4637 per

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\$1 principal amount of the 2018 Convertible Notes. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 11. Earnings Per Share, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$2,712	\$1,941	\$6,593	\$5,822
Amortization of financing costs	\$324	\$300	\$914	\$890
Amortization of premium	\$(28 )	\$(28 )	\$(83 )	\$(83 )
Weighted average interest rate	5.2 %	5.0 %	5.1 %	5.0 %
Effective interest rate	5.7 %	5.7 %	5.7 %	5.7 %
Average debt outstanding	\$207,750	\$155,250	\$172,942	\$155,250

As of September 30, 2018 and December 31, 2017, the outstanding balance on the Convertible Notes was \$270,250 and \$155,250, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

Unsecured Notes

On May 6, 2016, the Company issued \$50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, the Company issued \$90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, the Company issued \$50,000 in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). The NPA provides for future issuances of unsecured notes in separate series or tranches.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company's

investment adviser or if certain change in control events occur with respect to the Investment Adviser. The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the unsecured notes under its governance at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of the Company's status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at the Company or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect,

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breach of covenant, cross-default under other indebtedness of the Company or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy. The Third Supplement includes additional financial covenants related to asset coverage as well as other terms.

On September 25, 2018, the Company closed a registered public offering of \$50,000 in aggregate principal amount of five-year unsecured notes that mature on October 1, 2023 (the "5.75% Unsecured Notes" and together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes and 2018B Unsecured Notes, the "Unsecured Notes") pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture").

The 5.75% Unsecured Notes bear interest at an annual rate of 5.75%, payable quarterly on January 1, April 1, July 1 and October 1 of each year, which commences on January 1, 2019. The 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier redeemed. The 5.75% Unsecured Notes are listed on the New York Stock Exchange and trade under the trading symbol "NMFV."

The Company may redeem the 5.75% Unsecured Notes, in whole or in part, at any time, or from time to time, at its option on or after October 1, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption.

No sinking fund is provided for the 5.75% Unsecured Notes and holders of the 5.75% Unsecured Notes have no option to have their 5.75% Unsecured Notes repaid prior to the stated maturity date.

The 2018B Indenture contains certain covenants, including covenants requiring the Company to (i) comply with the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act as may be applicable to the Company from time to time or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC and (ii) provide certain financial information to the holders of the 5.75% Unsecured Notes and the trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. The 2018B Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018B Indenture.

The 2018B Indenture provides for customary events of default and further provides that the trustee or the holders of 25% in aggregate principal amount of the outstanding 5.75% Unsecured Notes may declare such 5.75% Unsecured Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

The Unsecured Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Unsecured 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.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Interest expense	\$3,643	\$ 1,850	\$9,181	\$ 4,248	
Amortization of financing costs	\$201	\$ 145	\$537	\$ 349	
Weighted average interest rate	5.1	% 5.1	% 5.1	% 5.2	%
Effective interest rate	5.3	% 5.5	% 5.4	% 5.7	%
Average debt outstanding	\$286,087	\$ 145,000	\$242,656	\$ 108,736	



As of September 30, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$335,000 and \$145,000, respectively, and the Company was in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150,000 as long as the licensee has at least \$75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the 1958 Act by increasing the individual leverage limit from \$150,000 to \$175,000, subject to SBA approvals.

As of September 30, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$150,000, respectively. As of September 30, 2018 and December 31, 2017, SBIC II had regulatory capital of \$42,500 and \$2,500, respectively, and \$15,000 and \$0, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of September 30, 2018.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures(1):				
March 25, 2015	March 1, 2025	\$ 37,500	2.517 %	0.355 %
September 23, 2015	September 1, 2025	37,500	2.829 %	0.355 %
September 23, 2015	September 1, 2025	28,795	2.829 %	0.742 %
March 23, 2016	March 1, 2026	13,950	2.507 %	0.742 %
September 21, 2016	September 1, 2026	4,000	2.051 %	0.742 %
September 20, 2017	September 1, 2027	13,000	2.518 %	0.742 %
March 21, 2018	March 1, 2028	15,255	3.187 %	0.742 %
Fixed SBA-guaranteed debentures(2):				
September 19, 2018	September 1, 2028	15,000	3.548 %	0.222 %
Total SBA-guaranteed debentures		\$ 165,000		

(1) SBA-guaranteed debentures are held in SBIC I.

(2) SBA-guaranteed debentures are held in SBIC II.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three and nine months ended September 30, 2018 and September 30, 2017.

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$1,341	\$1,056	\$3,750	\$2,988
Amortization of financing costs	\$139	\$114	\$391	\$319
Weighted average interest rate	3.2 %	3.1 %	3.2 %	3.1 %
Effective interest rate	3.6 %	3.4 %	3.5 %	3.5 %
Average debt outstanding	\$164,370	\$134,890	\$156,271	\$127,028

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible small businesses, as defined under the

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1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of September 30, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

## Note 8. Regulation

The Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. In order to continue to qualify and be subject to tax as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, intends to make and will continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code).

Additionally, as a BDC, the Company must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions). In addition, the Company must offer to make available to all eligible portfolio companies managerial assistance.

## Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of September 30, 2018, the Company had unfunded commitments on revolving credit facilities of \$49,735, no outstanding bridge financing commitments and other future funding commitments of \$88,849. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities of \$23,716, no outstanding bridge financing commitments and other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility, the NMFC Credit Facility and the NMNLC Credit Facility as of September 30, 2018 and December 31, 2017. See Note 7. Borrowings, for details.

The Company may from time to time enter into financing commitment letters. As of September 30, 2018 and December 31, 2017, the Company had commitment letters to purchase investments in the aggregate par amount of \$15,787 and \$13,907, respectively, which could require funding in the future.

As of September 30, 2018 and December 31, 2017, the Company owed \$9,000 and \$12,000, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company began to make semi-annual payments of \$3,000 in June 2018 with the final payment due in December 2019. See Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

As of September 30, 2018, the Company had unfunded commitments related to an equity investment in SLP III of \$13,200, which may be funded at the Company's discretion.

## 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	Accumulated Undistributed Net Investment Income	Accumulated Undistributed Net Realized (Losses) Gains	Net Unrealized Appreciation (Depreciation)	Total Net Assets
Balance at December 31, 2017	75,935,093	\$ 759	\$ 1,053,468	\$ 39,165	\$ (76,681)	\$ 1,034,975

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Issuances of common stock	171,279	2	2,328	—	—	—	2,330
Distributions declared	—	—	—	(77,512	)	—	(77,512 )
Net increase (decrease) in net assets resulting from operations	—	—	—	78,574	(3,149 )	(1,688 )	73,737
Balance at September 30, 2018	76,106,372	\$ 761	\$ 1,055,796	\$ 40,227	\$ (79,830 )	\$ 16,576	\$ 1,033,530

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## 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 and nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Earnings per share—basic				
Numerator for basic earnings per share:	\$26,760	\$ 24,776	\$73,737	\$ 82,521
Denominator for basic weighted average share:	76,106,377	75,688,429	75,994,068	83,618,794
Basic earnings per share:	\$0.35	\$ 0.33	\$0.97	\$ 1.12
Earnings per share—diluted <sup>(1)</sup>				
Numerator for increase in net assets per share	\$26,760	\$ 24,776	\$73,737	\$ 82,521
Adjustment for interest on Convertible Notes and incentive fees, net	2,170	1,553	5,275	4,658
Numerator for diluted earnings per share:	\$28,930	\$ 26,329	\$79,012	\$ 87,179
Denominator for basic weighted average share	76,106,377	75,688,429	75,994,068	83,618,794
Adjustment for dilutive effect of Convertible Notes	13,282,627	9,824,127	10,989,629	9,824,127
Denominator for diluted weighted average share	89,388,998	85,512,556	86,983,697	93,442,921
Diluted earnings per share	\$0.32	\$ 0.31	\$0.91	\$ 1.04

(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.

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## Note 12. Financial Highlights

The following information sets forth the Company's financial highlights for the nine months ended September 30, 2018 and September 30, 2017.

	Nine Months Ended			
	September 30, 2018		September 30, 2017	
Per share data(1):				
Net asset value, January 1, 2018 and January 1, 2017, respectively	\$ 13.63		\$ 13.46	
Net investment income	1.03		1.03	
Net realized and unrealized gains (losses)(2)	(0.06	)	0.14	
Total net increase	0.97		1.17	
Distributions declared to stockholders from net investment income	(1.02	)	(1.02	)
Net asset value, September 30, 2018 and September 30, 2017, respectively	\$ 13.58		\$ 13.61	
Per share market value, September 30, 2018 and September 30, 2017, respectively	\$ 13.50		\$ 14.25	
Total return based on market value(3)	7.38	%	8.31	%
Total return based on net asset value(4)	7.30	%	8.91	%
Shares outstanding at end of period	76,106,372		75,805,019	
Average weighted shares outstanding for the period	75,994,068		73,618,794	
Average net assets for the period	\$ 1,033,068		\$ 1,003,672	
Ratio to average net assets:				
Net investment income	10.17	%	10.06	%
Total expenses, before waivers/reimbursements	12.20	%	10.08	%
Total expenses, net of waivers/reimbursements	11.57	%	9.20	%
Average debt outstanding—Holdings Credit Facility	\$ 351,421		\$ 351,594	
Average debt outstanding—Unsecured Notes	242,656		108,736	
Average debt outstanding—Convertible Notes	172,942		155,250	
Average debt outstanding—SBA-guaranteed debentures	156,271		127,028	
Average debt outstanding—NMFC Credit Facility	113,269		48,030	
Asset coverage ratio(5)	185.68	%	248.37	%
Portfolio turnover	28.21	%	29.67	%

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

(2) Includes the accretive effect of common stock issuances per share, which for the nine months ended September 30, 2018 and September 30, 2017 were \$0.00 and \$0.05, respectively.

(3) 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.

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

(5) 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.

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Note 13. Recent Accounting Standards Updates

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of ASU 2018-13. The Company is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Company is in the process of evaluating the impact that this guidance will have on the Company's consolidated financial statements and disclosures.

Note 14. Subsequent Events

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the nine months ended September 30, 2018, except as discussed below.

On October 17, 2018, in connection with the registered public offering, the Company issued an additional \$1,750 aggregate principal amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

On November 1, 2018, the Company's board of directors declared a fourth quarter 2018 distribution of \$0.34 per share payable on December 28, 2018 to holders of record as of December 14, 2018.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of New Mountain Finance Corporation

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedule of investments, as of September 30, 2018, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2018 and 2017, and changes in net assets and cash flows for the nine-month periods ended September 30, 2018 and 2017, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it 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) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of December 31, 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. 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 PCAOB, 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.

/s/ DELOITTE & TOUCHE LLP

November 7, 2018



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### 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").

#### Forward-Looking Statements

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

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.P. and its affiliates); and
- the risk factors set forth in Item 1A.—Risk Factors contained in our annual report on Form 10-K for the year ended December 31, 2017 and in this quarterly report on Form 10-Q.

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. 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, 2017 and in this quarterly report on Form 10-Q.

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 (the "SEC"), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

#### Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through September 30, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

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



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

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

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I’s and SBIC II’s investment objectives are to generate current income and capital appreciation under our investment criteria. However, SBIC I’s and SBIC II’s investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of September 30, 2018, our top five industry concentrations were business services, software, healthcare services, education and investment funds. As of September 30, 2018, our net asset value was \$1,033.5 million and our portfolio had a fair value of approximately \$2,294.8 million in 92 portfolio companies, with a weighted average yield to maturity at cost for income producing investments (“YTM at Cost”) of approximately 11.0% and a weighted average yield to maturity at cost for all investments (“YTM at Cost for Investments”) of approximately 10.9%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments uses the London Interbank Offered Rate (“LIBOR”) curves at each quarter’s end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

**Recent Developments**

On October 17, 2018, in connection with the registered public offering, we issued an additional \$1.8 million aggregate principal amount of five-year unsecured notes that mature on October 1, 2023 (the “5.75% Unsecured Notes”) pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

On November 1, 2018, our board of directors declared a fourth quarter 2018 distribution of \$0.34 per share payable on December 28, 2018 to holders of record as of December 14, 2018.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements,

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and revenues and expenses during the periods reported. Actual results could materially differ from those estimates.

We have identified the following items as critical accounting policies.

Basis of Accounting

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

Valuation and Leveling of Portfolio Investments

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

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

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
  - Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are
  - (2) 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.
    - Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and, if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
    - b. For investments other than bonds, we look at the number of quotes readily available and perform the following procedures:
      - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
      - 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
      - ii. (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
  - (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
    - a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
    - b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
    - 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
    - c. which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
    - When deemed appropriate by our management, an independent valuation firm may be engaged to review and value
    - d. 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.





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

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

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

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

- Quoted prices for similar assets or liabilities in active markets;

- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 period in which the reclassifications occur.

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of September 30, 2018:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$1,030,033	\$ —	\$143,479	\$886,554
Second lien	681,910	—	358,727	323,183
Subordinated	64,606	—	26,262	38,344
Equity and other	518,210	6	—	518,204
Total investments	\$2,294,759	\$ 6	\$528,468	\$1,766,285

We generally use the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. We typically determine the fair value of our performing debt

investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall

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underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

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

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

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

**Market Based Approach:** We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of September 30, 2018, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

**Income Based Approach:** We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of September 30, 2018, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

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The unobservable inputs used in the fair value measurement of our Level III investments as of September 30, 2018 were as follows:

(in thousands)		Range					
Type	Fair Value as of September 30, 2018	Approach	Unobservable Input	Low	High	Weighted Average	
First lien	\$594,309	Market & income approach	EBITDA multiple	2.0x	32.0x	12.0x	
			Revenue multiple	3.5x	6.5x	5.5x	
			Discount rate	6.9 %	14.3 %	9.7 %	
Second lien	163,957	Market quote	Broker quote	N/A	N/A	N/A	
			Other	N/A(1)	N/A	N/A	N/A
				128,288	Market & income approach	EBITDA multiple	7.5x
Subordinated	105,801	Market & income approach	Revenue multiple	2.5x	3.3x	2.9x	
			Discount rate	11.1 %	13.6 %	11.7 %	
			217,382	Market quote	Broker quote	N/A	N/A
Equity and other	38,344	Market & income approach	EBITDA multiple	6.5x	11.0x	10.0x	
			Revenue multiple	2.5x	3.3x	2.9x	
			Discount rate	8.1 %	22.0 %	19.0 %	
Equity and other	517,709	Market & income approach	EBITDA multiple	0.4x	19.0x	12.6x	
			Revenue multiple	2.5x	3.3x	2.9x	
			Discount rate	7.0 %	25.1 %	12.9 %	
			495	Black Scholes analysis	Expected life in years	7.5	7.5
Volatility	38.0%	38.0 %			38.0 %		
Discount rate	2.9 %	2.9 %			2.9 %		
\$1,766,285							

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

#### NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions and, as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until August 31, 2021, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended pursuant to certain terms of the SLP I Agreement. SLP I's re-investment period was through July 31, 2018. In September 2018, the re-investment period was extended until August 31, 2019. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of September 30, 2018, SLP I had total investments with an aggregate fair value of approximately \$328.6 million, debt outstanding of \$237.3 million and capital that had been called and funded of \$93.0 million. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$223.7 million and capital that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of September 30, 2018 and December 31, 2017.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the three and nine months ended September 30, 2018, we earned approximately \$0.3 million and \$0.9 million, respectively, in management fees related to SLP I, which is included in other income. For the three and nine months ended

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September 30, 2017, we earned approximately \$0.3 million and \$0.9 million, respectively, in management fees related to SLP I, which is included in other income. As of September 30, 2018 and December 31, 2017, approximately \$0.3 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and nine months ended September 30, 2018, we earned approximately \$0.8 million and \$2.4 million, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and nine months ended September 30, 2017, we earned approximately \$0.8 million and \$2.7 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of September 30, 2018 and December 31, 2017, approximately \$0.8 million and \$0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

**NMFC Senior Loan Program II LLC**

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement. SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of September 30, 2018, we and SkyKnight have committed and contributed \$79.4 million and \$20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of September 30, 2018 and December 31, 2017. On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility bears interest at a rate of LIBOR plus 1.60% per annum. As of September 30, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$353.3 million and \$382.5 million, respectively, and debt outstanding under its credit facility of \$262.4 million and \$266.3 million, respectively. As of September 30, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of September 30, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$8.8 million and \$4.9 million, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of September 30, 2018 and December 31, 2017:

(in thousands)	September 30, 2018	December 31, 2017
First lien investments (1)	360,933	386,100
Weighted average interest rate on first lien investments (2)	6.55 %	6.05 %
Number of portfolio companies in SLP II	32	35
Largest portfolio company investment (1)	17,183	17,369
Total of five largest portfolio company investments (1)	80,958	81,728

(1) Reflects principal amount or par value of investments.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP II's portfolio as of September 30, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value (in thousands)	Cost (in thousands)	Fair Value (2) (in thousands)
Funded Investments - First lien:						
Access CIG, LLC	Business Services	5.99% (L + 3.75%)	2/27/2025	\$ 8,848	\$ 8,806	\$ 8,906
ADG, LLC	Healthcare Services	6.99% (L + 4.75%)	9/28/2023	16,905	16,778	16,651
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.39% (L + 4.00%)	8/21/2023	14,701	14,521	14,774
Brave Parent Holdings, Inc.	Software	6.39% (L + 4.00%)	4/18/2025	15,461	15,406	15,519
CentralSquare Technologies, LLC	Software	5.99% (L + 3.75%)	8/29/2025	15,000	14,963	15,070
CHA Holdings, Inc.	Business Services	6.89% (L + 4.50%)	4/10/2025	9,832	9,786	9,906
CommerceHub, Inc.	Software	5.99% (L + 3.75%)	5/21/2025	2,493	2,482	2,503
Drilling Info Holdings, Inc.	Business Services	6.54% (L + 4.25%)	7/30/2025	11,250	11,202	11,237
FPC Holdings, Inc.	Distribution & Logistics	6.74% (L + 4.50%)	11/18/2022	14,925	14,517	15,069
Greenway Health, LLC	Software	6.14% (L + 3.75%)	2/16/2024	14,812	14,753	14,832
Idera, Inc.	Software	6.75% (L + 4.50%)	6/28/2024	12,523	12,416	12,644
J.D. Power (fka J.D. Power and Associates)	Business Services	6.49% (L + 4.25%)	9/7/2023	13,256	13,213	13,344
Keystone Acquisition Corp.	Healthcare Services	7.64% (L + 5.25%)	5/1/2024	5,346	5,301	5,383
LSCS Holdings, Inc.	Healthcare Services	6.63% (L + 4.25%)	3/17/2025	5,321	5,312	5,321
LSCS Holdings, Inc.	Healthcare Services	6.52% (L + 4.25%)	3/17/2025	1,374	1,371	1,374
Market Track, LLC	Business Services	6.64% (L + 4.25%)	6/5/2024	11,850	11,800	11,835
Medical Solutions Holdings, Inc.	Healthcare Services	5.99% (L + 3.75%)	6/14/2024	4,443	4,424	4,459
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	2,121	2,113	2,121
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	303	301	303
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	12,316	12,267	12,316
Navicure, Inc.	Healthcare Services	5.99% (L + 3.75%)	11/1/2024	2,928	2,915	2,942
	Software		5/25/2025	7,500	7,464	7,523

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NorthStar Financial Services Group, LLC		5.56% (L + 3.50%)				
Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC)	Consumer Services	6.49% (L + 4.25%)	10/10/2024	286	284	286
Pathway Vet Alliance LLC (fka Pathway Partners Vet Management Company LLC)	Consumer Services	6.49% (L + 4.25%)	10/10/2024	9,630	9,586	9,654
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.64% (L + 5.25%)	4/29/2024	10,369	10,325	10,317
Poseidon Intermediate, LLC	Software	6.50% (L + 4.25%)	8/15/2022	14,767	14,764	14,841
Premise Health Holding Corp.	Healthcare Services	6.14% (L + 3.75%)	7/10/2025	1,390	1,383	1,397
Project Accelerate Parent, LLC	Business Services	6.37% (L + 4.25%)	1/2/2025	14,925	14,856	15,018
PSC Industrial Holdings Corp.	Industrial Services	5.91% (L + 3.75%)	10/11/2024	10,421	10,329	10,467
Quest Software US Holdings Inc.	Software	6.57% (L + 4.25%)	5/16/2025	15,000	14,928	15,060
Salient CRGT Inc.	Federal Services	7.99% (L + 5.75%)	2/28/2022	13,603	13,505	13,807
Sierra Acquisition, Inc.	Food & Beverage	5.99% (L + 3.75%)	11/11/2024	3,722	3,705	3,754
SSH Group Holdings, Inc.	Education	6.59% (L + 4.25%)	7/30/2025	9,000	8,978	9,090
WP CityMD Bidco LLC	Healthcare Services	5.89% (L + 3.50%)	6/7/2024	14,850	14,819	14,831
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	1,457	1,462	1,457
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	12,069	12,059	12,069
Zywave, Inc.	Software	7.34% (L + 5.00%)	11/17/2022	17,183	17,120	17,183
Total Funded Investments				\$ 352,180	\$ 350,214	\$ 353,263
Unfunded Investments - First lien:						
Access CIG, LLC	Business Services	—	2/27/2019	\$ 1,108	\$—	\$ 7
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11	) 16
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	2,249	(10	) (6
Ministry Brands, LLC	Software	—	10/18/2019	1,566	(8	) —
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	1
YI, LLC	Healthcare Services	—	11/7/2018	1,577	(8	) —
Total Unfunded Investments				\$ 8,753	\$(37	) \$ 18
Total Investments				\$ 360,933	\$ 350,177	\$ 353,281

(1)



All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of September 30, 2018.

- (2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value (in thousands)	Cost (in thousands)	Fair Value (2) (in thousands)
Funded Investments - First lien						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicure, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OEConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980

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Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
Total Funded Investments				\$ 381,237	\$ 379,098	\$ 382,529
Unfunded Investments - First lien						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$ 2,728	\$(14 )	\$ 7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9 )	(3 )
Total Unfunded Investments				\$ 4,863	\$(23 )	\$ 5
Total Investments				\$ 386,100	\$ 379,075	\$ 382,534

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.

(1) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.



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Below is certain summarized financial information for SLP II as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and September 30, 2017:

Selected Balance Sheet Information:	September 30, December 31,			
	2018	2017		
	(in thousands)	(in thousands)		
Investments at fair value (cost of \$350,177 and \$379,075, respectively)	\$ 353,281	\$ 382,534		
Cash and other assets	17,417	8,065		
Total assets	\$ 370,698	\$ 390,599		
Credit facility	\$ 262,370	\$ 266,270		
Deferred financing costs	(1,526 )	(1,966 )		
Payable for unsettled securities purchased	—	15,964		
Distribution payable	3,500	3,500		
Other liabilities	2,722	2,891		
Total liabilities	267,066	286,659		
Members' capital	\$ 103,632	\$ 103,940		
Total liabilities and members' capital	\$ 370,698	\$ 390,599		
Selected Statement of Operations Information:	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Interest income	\$6,358	\$ 5,858	\$18,122	\$ 16,661
Other income	39	27	97	343
Total investment income	6,397	5,885	18,219	17,004
Interest and other financing expenses	2,686	2,185	7,667	6,108
Other expenses	140	159	504	533
Total expenses	2,826	2,344	8,171	6,641
Net investment income	3,571	3,541	10,048	10,363
Net realized gains on investments	125	223	758	2,145
Net change in unrealized appreciation (depreciation) of investments	(75 )	88	(355 )	(553 )
Net increase in members' capital	\$3,621	\$ 3,852	\$10,451	\$ 11,955

For the three and nine months ended September 30, 2018, we earned approximately \$2.7 million and \$8.5 million, respectively, of dividend income related to SLP II, which is included in dividend income. For the three and nine months ended September 30, 2017, we earned approximately \$3.0 million and \$9.6 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of September 30, 2018 and December 31, 2017, approximately \$2.7 million and \$2.8 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

NMFC Senior Loan Program III LLC ("SLP III") was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between us and SkyKnight Income II, LLC ("SkyKnight II") and operates under a limited liability company agreement (the "SLP III Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment

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decisions must be unanimously approved by the board of managers of SLP III, which has equal representation from us and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of September 30, 2018, we and SkyKnight II have committed \$80.0 million and \$20.0 million, respectively, of equity to SLP III. As of September 30, 2018, we and SkyKnight II have contributed \$66.8 million and \$16.7 million, respectively, of equity to SLP III. Our investment in SLP III is disclosed on the our Consolidated Schedule of Investments as of September 30, 2018.

On May 2, 2018, SLP III closed its \$300.0 million revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. As of September 30, 2018, SLP III had total investments with an aggregate fair value of approximately \$322.2 million and debt outstanding under its credit facility of \$218.8 million. As of September 30, 2018, none of SLP III's investments were on non-accrual. Additionally, as of September 30, 2018, SLP III had unfunded commitments in the form of delayed draws of \$15.2 million. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of September 30, 2018:

(in thousands)	September 30, 2018
First lien investments (1)	336,383
Weighted average interest rate on first lien investments (2)	6.16 %
Number of portfolio companies in SLP III	34
Largest portfolio company investment (1)	19,000
Total of five largest portfolio company investments (1)	82,959

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP III's portfolio as of September 30, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value ( in thousands)	Cost ( in thousands)	Fair Value (2) ( in thousands)
Funded Investments - First lien						
Access CIG, LLC	Business Services	5.99% (L + 3.75%)	2/27/2025	\$ 1,219	\$ 1,219	\$ 1,227
Affordable Care Holding Corp.	Healthcare Services	7.04% (L + 4.75%)	10/24/2022	1,028	1,033	1,032
Bracket Intermediate Holding Corp.	Healthcare Services	6.57% (L + 4.25%)	9/5/2025	15,000	14,925	15,000
Brave Parent Holdings, Inc.	Software	6.39% (L + 4.00%)	4/18/2025	14,964	14,911	15,019
CentralSquare Technologies, LLC	Software	5.99% (L + 3.75%)	8/29/2025	15,000	14,963	15,070
Certara Holdco, Inc.	Healthcare I.T.	5.89% (L + 3.50%)	8/15/2024	1,279	1,284	1,283
CommerceHub, Inc.	Software	5.99% (L + 3.75%)	5/21/2025	14,964	14,892	15,019
CRCI Longhorn Holdings, Inc.	Business Services	5.62% (L + 3.50%)	8/8/2025	15,001	14,927	15,042
Dentalcorp Perfect Smile ULC	Healthcare Services	5.99% (L + 3.75%)	6/6/2025	11,971	11,941	12,082
Dentalcorp Perfect Smile ULC	Healthcare Services	5.99% (L + 3.75%)	6/6/2025	749	753	756
Drilling Info Holdings, Inc.	Business Services	6.54% (L + 4.25%)	7/30/2025	16,499	16,417	16,478
Financial & Risk US Holdings, Inc.	Business Services	6.01% (L + 3.75%)	10/1/2025	8,000	7,980	7,992
Greenway Health, LLC	Software	6.14% (L + 3.75%)	2/16/2024	14,858	14,869	14,877
Heartland Dental, LLC	Healthcare Services	5.99% (L + 3.75%)	4/30/2025	16,480	16,402	16,508
Idera, Inc.	Software	6.76% (L + 4.50%)	6/28/2024	2,294	2,294	2,322
Market Track, LLC	Business Services	6.64% (L + 4.25%)	6/5/2024	4,839	4,833	4,833
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	4,607	4,586	4,607
Ministry Brands, LLC	Software	6.24% (L + 4.00%)	12/2/2022	303	301	303
National Intergovernmental Purchasing Alliance Company	Business Services	6.14% (L + 3.75%)	5/23/2025	14,963	14,949	15,019
Navex Topco, Inc.	Software	5.37% (L + 3.25%)	9/5/2025	15,000	14,925	15,006
Navicure, Inc.	Healthcare Services	5.99% (L + 3.75%)	11/1/2024	2,992	2,992	3,007
Netsmart Technologies, Inc.			4/19/2023	10,464	10,464	10,543



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	Healthcare I.T.	5.99% (L + 3.75%)					
Newport Group Holdings II, Inc.	Business Services	5.90% (L + 3.75%)	9/12/2025	5,000	4,975	5,019	
NorthStar Financial Services Group, LLC	Software	5.56% (L + 3.50%)	5/25/2025	15,000	14,928	15,047	
OEConnection LLC	Business Services	6.25% (L + 4.00%)	11/22/2024	1,834	1,848	1,844	
Pathway Vet Alliance LLC	Consumer Services	6.49% (L + 4.25%)	10/10/2024	1,333	1,326	1,336	
Pelican Products, Inc.	Business Products	5.60% (L + 3.50%)	5/1/2025	4,988	4,976	4,999	
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.64% (L + 5.25%)	4/29/2024	12,628	12,565	12,565	
Premise Health Holding Corp.	Healthcare Services	6.14% (L + 3.75%)	7/10/2025	13,897	13,828	13,971	
Quest Software US Holdings Inc.	Software	6.57% (L + 4.25%)	5/16/2025	15,000	14,928	15,060	
Sierra Enterprises, LLC	Food & Beverage	5.99% (L + 3.75%)	11/11/2024	2,488	2,485	2,509	
SSH Group Holdings, Inc.	Education	6.59% (L + 4.25%)	7/30/2025	15,000	14,963	15,150	
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.75% (L + 3.50%)	7/17/2025	3,814	3,795	3,849	
VT Topco, Inc.	Business Services	6.09% (L + 3.75%)	8/1/2025	8,000	7,980	8,075	
VT Topco, Inc.	Business Services	6.14% (L + 3.75%)	8/1/2025	373	376	377	
WP CityMD Bidco LLC	Healthcare Services	5.89% (L + 3.50%)	6/7/2024	14,925	14,925	14,906	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	3,978	3,992	3,978	
YI, LLC	Healthcare Services	6.39% (L + 4.00%)	11/7/2024	480	482	480	
Total Funded Investments				\$ 321,212	\$ 320,232	\$ 322,190	
Unfunded Investments - First lien							
Dentalcorp Perfect Smile ULC	Healthcare Services	—	6/6/2020	\$ 2,249	\$(6 )	\$ 21	
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	2,501	(13 )	(6 )	
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	2,478	—	4	
Ministry Brands, LLC	Software	—	10/18/2019	1,566	(8 )	—	
Pathway Vet Alliance LLC	Consumer Services	—	5/25/2020	1,940	(10 )	5	
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3 )	6	
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	—	7/17/2019	1,187	—	11	

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VT Topco, Inc.	Business Services	—	8/1/2020	1,627	(4	) 15
YI, LLC	Healthcare Services	—	11/7/2018	520	2	—
Total Unfunded Investments				\$ 15,171	\$(42	) \$56
Total Investments				\$ 336,383	\$ 320,190	\$ 322,246

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All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of September 30, 2018.

(1) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP III.

Below is certain summarized financial information for SLP III as of September 30, 2018 and for the three and nine months ended September 30, 2018:

Selected Balance Sheet Information:	September 30, 2018		
Investments at fair value (cost of \$320,190)	\$ 322,246		
Cash and other assets	6,705		
Total assets	\$ 328,951		
Credit facility	\$ 218,800		
Deferred financing costs	(2,996 )		
Payable for unsettled securities purchased	22,839		
Distribution payable	1,200		
Other liabilities	3,465		
Total liabilities	243,308		
Members' capital	\$ 85,643		
Total liabilities and members' capital	\$ 328,951		
		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018(1)
Selected Statement of Operations Information:			
Interest income		\$ 3,170	\$ 3,960
Other income		80	102
Total investment income		3,250	4,062
Interest and other financing expenses		1,853	2,427
Other expenses		123	349
Total expenses		1,976	2,776
Net investment income		1,274	1,286
Net realized gains on investments		1	1
Net change in unrealized appreciation (depreciation) of investments		1,438	2,056
Net increase in members' capital		\$ 2,713	\$ 3,343

(1) SLP III commenced operations on April 25, 2018.

For the three and nine months ended September 30, 2018, we earned approximately \$1.0 million and \$1.0 million, respectively, of dividend income related to SLP III, which is included in dividend income. As of September 30, 2018, approximately \$1.0 million of dividend income related to SLP III was included in interest and dividend receivable. We have determined that SLP III is an investment company under ASC 946; however, in accordance with such guidance we will generally not consolidate our investment in a company other than a wholly-owned investment

company subsidiary. Furthermore, ASC 810 concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, we do not consolidate SLP III.

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## New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of September 30, 2018.

Below is certain summarized property information for NMNLC as of September 30, 2018:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet (in thousands)	Fair Value as of September 30, 2018 (in thousands)
NM NL Holdings LP / NM GP Holdco LLC	FXI Inc.	6/30/2038	IN / MS / NM / OR / PA / Mexico	2,122	\$ 20,098
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	14,653
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,540
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	8,554
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	8,517
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,547
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	5,401
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	2,251
					\$ 77,561

## Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—Secured Borrowing and Collateral, (“ASC 860”) when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of September 30, 2018 and December 31, 2017, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a fair value of \$25.2 million and \$25.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to us, therefore, we do not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized our contractual rights under the collateralized agreement. We continue to exercise our rights under the collateralized agreement and continue to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

## PPVA Black Elk (Equity) LLC

On May 3, 2013, we entered into a collateralized securities purchase and put agreement (the “SPP Agreement”) with a private hedge fund. Under the SPP Agreement, we purchased twenty million Class E Preferred Units of Black Elk Energy Offshore Operations, LLC (“Black Elk”) for \$20.0 million with a corresponding obligation of the private hedge fund to repurchase the preferred units for \$20.0 million plus other amounts due under the SPP Agreement. The majority owner of Black Elk was the private hedge fund. In August 2014, we received a payment of \$20.5 million, the full amount due under the SPP Agreement.

In August 2017, a trustee (the “Trustee”) for Black Elk informed us that the Trustee intended to assert a fraudulent conveyance claim (the “Claim”) against us and one of its affiliates seeking the return of the \$20.5 million repayment.

Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to us under the SPP Agreement. We were unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, we settled the Trustee's \$20.5 million Claim for \$16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16.0 million that is owed to us under the SPP

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Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. We continue to exercise our rights under the SPP Agreement and continue to monitor the liquidation process of the private hedge fund. During the nine months ended September 30, 2018, we received a \$1.5 million payment from our insurance carrier in respect to the settlement. As of September 30, 2018, the SPP Agreement has a cost basis of \$14.5 million and a fair value of \$12.2 million, which is reflective of the higher inherent risk in this transaction.

Revenue Recognition

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

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and generally due at maturity or when redeemed by the issuer. For the three and nine months ended September 30, 2018, we recognized PIK and non-cash interest from investments of approximately \$2.5 million and \$6.1 million, respectively, and PIK and non-cash dividends from investments of approximately \$7.2 million and \$21.0 million, respectively. For the three and nine months ended September 30, 2017, we recognized PIK and non-cash interest from investments of approximately \$1.5 million and \$4.7 million, respectively, and PIK and non-cash dividends from investments of approximately \$5.4 million and \$11.7 million, respectively.

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

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

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

Monitoring of Portfolio Investments

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

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

Investment Rating 1—Investment is performing materially above expectations;

Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;

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Investment Rating 3—Investment is performing materially below expectations and while significant loss is not expected, the risk of loss has increased since the original investment; and

Investment Rating 4—Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.



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The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of September 30, 2018:

(in millions)	As of September 30, 2018			
Investment Rating	Cost	Percent	Fair Value	Percent
Investment Rating 1	\$153.5	6.8 %	\$156.4	6.8 %
Investment Rating 2	2,077.5	91.9 %	2,124.3	92.6 %
Investment Rating 3	13.5	0.6 %	6.8	0.3 %
Investment Rating 4	16.5	0.7 %	7.3	0.3 %
	\$2,261.0	100.0%	\$2,294.8	100.0%

As of September 30, 2018, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of three portfolio companies. As of September 30, 2018, one portfolio company had an Investment Rating of 3 and three portfolio companies had an Investment Rating of 4, which includes one portfolio company that had a portion of our investment included in Investment Rating 3 and a portion included in Investment Rating 4.

During the second quarter of 2018, we placed a portion of our second lien position in National HME, Inc. on non-accrual status and wrote down the aggregate fair value of our preferred shares in TW-NHME Holdings Corp. (together with our second lien position, "NHME") to \$0. As of September 30, 2018, our investment in the second lien position in NHME had an aggregate cost basis of \$28.5 million an aggregate fair value of \$13.7 million and total unearned interest income of \$0.4 million and \$0.8 million, respectively, for the three and nine months then ended.

During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and commons shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of September 30, 2018, our investments in EDMC with an Investment Rating of 4 had an aggregate cost basis of \$1.5 million, an aggregate fair value of less than \$0.1 million and total unearned interest income of less than \$0.1 million and \$0.1 million, respectively, for the three and nine months then ended.

Our preferred shares and warrants in Ancora Acquisition LLC ("Ancora") have an investment rating of 4. As of September 30, 2018, our investments in Ancora had an aggregate cost basis of less than \$0.1 million and an aggregate fair value of less than \$0.1 million.

Portfolio and Investment Activity

The fair value of our investments was approximately \$2,294.8 million in 92 portfolio companies at September 30, 2018 and approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017.

The following table shows our portfolio and investment activity for the nine months ended September 30, 2018 and September 30, 2017:

(in millions)	Nine Months Ended	
	September 30, 2018	September 30, 2017
New investments in 57 and 51 portfolio companies, respectively	\$1,056.7	\$ 809.8
Debt repayments in existing portfolio companies	516.2	483.6
Sales of securities in 10 and 16 portfolio companies, respectively	83.0	58.9
Change in unrealized appreciation on 43 and 55 portfolio companies, respectively	33.8	61.6
Change in unrealized depreciation on 61 and 34 portfolio companies, respectively	(34.5 )	(12.9 )

Recent Accounting Standards Updates

See Item 1.—Financial Statements—Note 13. Recent Accounting Standards for details on recent accounting standards updates.

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## Results of Operations for the Three Months Ended September 30, 2018 and September 30, 2017

## Revenue

(in thousands)	Three Months Ended	
	September 30, 2018	September 30, 2017
Interest income	\$40,920	\$ 39,638
Total dividend income	13,948	9,870
Other income	5,601	1,728
Total investment income	\$60,469	\$ 51,236

Our total investment income increased by approximately \$9.2 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. For the three months ended September 30, 2018, total investment income of \$60.5 million consisted of approximately \$35.1 million in cash interest from investments, approximately \$2.5 million in PIK and non-cash interest from investments, approximately \$2.0 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$1.3 million, approximately \$6.8 million in cash dividends from investments, \$7.2 million in PIK and non-cash dividends from investments and approximately \$5.6 million in other income. The 18% increase in total investment income resulted primarily from increased dividend income and other income. The increase in dividend income of approximately \$4.1 million during the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 is primarily due to distributions from our investments in NMNLC, SLP III and PIK and non-cash dividend income from five equity positions. In addition, our increase in interest and dividend income was attributable to larger invested balances which were driven by proceeds from our convertible notes and our unsecured notes issuances to originate new investments as well as rising LIBOR rates. Other income during the three months ended September 30, 2018, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees received from nineteen different portfolio companies and management fees from a non-controlled affiliated portfolio company.

## Operating Expenses

(in thousands)	Three Months Ended	
	September 30, 2018	September 30, 2017
Management fee	\$10,018	\$ 8,422
Less: management fee waiver	(1,766 )	(1,483 )
Total management fee	8,252	6,939
Incentive fee	6,780	6,573
Interest and other financing expenses	14,759	9,509
Professional fees	2,053	819
Administrative expenses	846	652
Other general and administrative expenses	437	346
Total expenses	33,127	24,838
Less: expenses waived and reimbursed	—	—
Net expenses before income taxes	33,127	24,838
Income tax expense	225	106
Net expenses after income taxes	\$33,352	\$ 24,944

Our total net operating expenses increased by approximately \$8.4 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. Our management fee increased by approximately \$1.3 million, net of a management fee waivers for the three months ended September 30, 2018, as compared to the three months ended September 30, 2017. The increase in management fees was attributable to larger invested balances, driven by the proceeds from our convertible notes issuances and unsecured notes issuances as well as our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments.

Interest and other financing expenses increased by approximately \$5.3 million during the three months ended September 30, 2018 as compared to the three months ended September 30, 2017, primarily due to our issuances of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below) and

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rising LIBOR rates. Our increase in total professional fees, administrative expenses and total other general and administrative expenses for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 was mainly attributable to the professional fees incurred relating to evaluating and making investments, as well as on-going monitoring of our investments.

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

(in thousands)	Three Months Ended	
	September 30, 2018	September 30, 2017
Net realized gains (losses) on investments	\$3,254	\$ (14,216 )
Net change in unrealized (depreciation) appreciation of investments	(3,609 )	14,643
Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell	—	(1,549 )
Provision for taxes	(2 )	(394 )
Net realized and unrealized gains (losses)	\$(357 )	\$(1,516 )

Our net realized gains and unrealized losses resulted in a net loss of approximately \$0.4 million for the three months ended September 30, 2018 compared to net realized losses and unrealized gains resulting in a net loss of approximately \$1.5 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the three months ended September 30, 2018 was primarily driven by and overall decrease in the market prices of our investments during the period, which was partially offset by a realized gain on the sale of our investment in TWDiamondback Holdings Corp. The provision for income taxes was attributable to equity investments that are held as of September 30, 2018 in three of our corporate subsidiaries. The net loss for the three months ended September 30, 2017 was primarily driven by unrealized depreciation on our securities purchased under collateralized agreements to resell. With the completion of the Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") restructuring in July 2017, \$14.5 million of previously recorded unrealized depreciation related to this investment was realized during the three months ended September 30, 2017.

## Results of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

## Revenue

(in thousands)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Interest income	\$117,749	\$ 111,275
Total dividend income	38,651	26,273
Other income	11,556	7,014
Total investment income	\$167,956	\$ 144,562

Our total investment income increased by approximately \$23.4 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. For the nine months ended September 30, 2018, total investment income of \$168.0 million consisted of approximately \$103.4 million in cash interest from investments, approximately \$6.1 million in PIK and non-cash interest from investments, approximately \$4.3 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$3.9 million, approximately \$17.7 million in cash dividends from investments, approximately \$21.0 million in PIK and non-cash dividends from investments and approximately \$11.6 million in other income. The 16% increase in total investment income primarily resulted from an increase in dividend income of approximately \$12.4 million during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. The increase was primarily due to distributions from our investments in NMNLC, SLP III and PIK and non-cash dividend income from five equity positions. Also contributing to the increase in total investment income is the increased interest income which is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 Convertible Notes issuance and our July 2018 and January 2018 unsecured notes issuances to originate new investments. Other income during the nine months ended September 30, 2018, which

represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees received from thirty-eight different portfolio companies and management fees from a non-controlled affiliated portfolio company.

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## Operating Expenses

(in thousands)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Management fee	\$28,011	\$ 24,311
Less: management fee waiver	(4,583 )	(4,324 )
Total management fee	23,428	19,987
Incentive fee	19,644	18,430
Less: incentive fee waiver	—	(1,800 )
Total incentive fee	19,644	16,630
Interest and other financing expenses	38,873	26,930
Professional fees	3,455	2,391
Administrative expenses	2,607	2,022
Other general and administrative expenses	1,365	1,214
Total expenses	89,372	69,174
Less: expenses waived and reimbursed	(276 )	(474 )
Net expenses before income taxes	89,096	68,700
Income tax expense	286	341
Net expenses after income taxes	\$89,382	\$ 69,041

Our total net operating expenses increased by approximately \$20.3 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. Our management fee increased by approximately \$3.4 million, net of a management fee waiver, and our incentive fee increased by approximately \$3.0 million, net of an incentive fee waiver, for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. The increase in management fees and incentive fees was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our convertible notes issuance, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. In addition, our increase in incentive fees was attributable to an incentive fee waiver by the Investment Adviser for the nine months ended September 30, 2017 of approximately \$1.8 million. Interest and other financing expenses increased by approximately \$11.9 million during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017, primarily due to our issuances of convertible and unsecured notes, higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below) and rising LIBOR rates. Our increase in total professional fees, administrative expenses and total other general and administrative expenses for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 was mainly attributable to an increase in professional fees relating to evaluating and making investments, as well as on-going monitoring of our investments.

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

(in thousands)	Nine Months Ended	
	September 30, 2018	September 30, 2017
Net realized losses on investments	\$(3,149)	\$ (39,843 )
Net change in unrealized appreciation (depreciation) of investments	(690 )	48,700
Net change in unrealized depreciation securities purchased under collateralized agreements to resell	(12 )	(2,382 )
(Provision) benefit for taxes	(986 )	525
Net realized and unrealized gains (losses)	\$(4,837)	\$ 7,000

Our net realized and unrealized losses resulted in a net loss of approximately \$4.8 million for the nine months ended September 30, 2018 compared to net realized losses and unrealized gains resulting in a net gain of approximately \$7.0 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the nine months ended

September 30, 2018 was primarily driven by the realized loss on our investment in American Tire Distributors, Inc. ("ATD"), which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier. The provision for income taxes was attributable

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to equity investments that are held as of September 30, 2018 in three of our corporate subsidiaries. The net gain for the nine months ended September 30, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. With the completion of the Transtar Holding Company and Sierra restructurings in April 2017 and July 2017, respectively, \$27.6 million and \$14.5 million, respectively, of previously recorded unrealized depreciation related to these investment was realized during the nine months ended September 30, 2017.

**Liquidity and Capital Resources**

The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes. Since our IPO, and through September 30, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of our common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150.0% after such borrowing. On March 23, 2018, the Small Business Credit Availability Act (the "SBCA") was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. As a result of our exemptive relief received on November 5, 2014, we are permitted to exclude our SBA-guaranteed debentures from the 150.0% asset coverage ratio that we are required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of September 30, 2018, our asset coverage ratio was 185.7%.

At September 30, 2018 and December 31, 2017, we had cash and cash equivalents of approximately \$146.3 million and \$34.9 million, respectively. Our cash used in operating activities during the nine months ended September 30, 2018 and September 30, 2017 was approximately \$294.7 million and \$144.5 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

**Borrowings**

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

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our



Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

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

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2018, the Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three and nine months ended September 30, 2018 and September 30, 2017.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$4.0	\$ 3.1	\$10.7	\$ 8.7
Non-usage fee	\$0.1	\$ 0.1	\$0.5	\$ 0.5
Amortization of financing costs	\$0.7	\$ 0.4	\$1.9	\$ 1.2
Weighted average interest rate	4.2 %	3.4 %	4.1 %	3.3 %
Effective interest rate	5.0 %	4.1 %	5.0 %	4.0 %
Average debt outstanding	\$379.2	\$ 352.4	\$351.4	\$ 351.6

As of September 30, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$466.0 million and \$312.4 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, we entered into an amendment to the NMFC Credit Facility which extended the maturity date to June 4, 2022. On July 5, 2018, we further amended the NMFC Credit Facility to include the financial covenants related to asset coverage discussed above. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

As of September 30, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three and nine months ended September 30, 2018 and September 30, 2017.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$1.4	\$ 0.2	\$3.8	\$ 1.3
Non-usage fee	\$—	(1)\$ 0.1	\$0.1	\$ 0.2
Amortization of financing costs	\$0.1	\$ 0.1	\$0.3	\$ 0.3
Weighted average interest rate	4.7 %	3.6 %	4.5 %	3.5 %
Effective interest rate	5.1 %	7.3 %	5.0 %	5.0 %
Average debt outstanding	\$121.9	\$ 21.7	\$113.3	\$ 48.0

(1) For the three months ended September 30, 2018, the total non-usage fee was less than \$50 thousand.

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As of September 30, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$135.0 million and \$122.5 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

NMNLC Credit Facility—The Revolving Credit Agreement (together with the related guarantee and security agreement, the “NMNLC Credit Facility”), dated September 21, 2018, among NMNLC, as the Borrower, and KeyBank National Association, as the Administrative Agent and Lender, is structured as a senior secured revolving credit facility and matures on September 23, 2019. The NMNLC Credit Facility is guaranteed by us and proceeds from the NMNLC Credit Facility may be used for funding of additional acquisition properties.

The NMNLC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.15% per annum (as defined in the Revolving Credit Agreement).

As of September 30, 2018, the maximum amount of revolving borrowings available under the NMNLC Credit Facility was \$30.0 million. As of September 30, 2018, the outstanding balance on the NMNLC Credit Facility was \$0 and NMNLC was in compliance with the applicable covenants in the NMNLC Credit Facility on such dates.

Convertible Notes

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

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

We may not redeem the 2014 Convertible Notes prior to maturity. No sinking fund is provided for the 2014 Convertible Notes. In addition, if certain corporate events occur, holders of the 2014 Convertible Notes may require us to repurchase for cash all or part of their 2014 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2014 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The 2014 Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the 2014 Convertible Notes and the Trustee if we cease to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the 2014 Indenture.

2018 Convertible Notes—On August 20, 2018, we closed a registered public offering of \$100.0 million aggregate principal amount of 2018 Convertible Notes (together with the 2017 Convertible Notes, the “Convertible Notes”), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the “2018A Indenture”). On August 30, 2018, in connection with the registered public offering, we issued an additional \$15.0 million aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes.

The 2018 Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2019. The 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted, repurchased or redeemed. We may not redeem the 2018 Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the 2018 Convertible Notes for cash, in whole or from time to time in part, at its option at a redemption price, subject to an exception for redemption dates occurring after a record date but on or prior to the interest payment date, equal to the sum of (i) 100% of the principal amount of the 2018 Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption

date and (iii) a make-whole premium.

No sinking fund is provided for the 2018 Convertible Notes. Holders of 2018 Convertible Notes may, at their option, convert their 2018 Convertible Notes into shares of our common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date of the 2018 Convertible Notes. In addition, if certain corporate events occur, holders of the 2018 Convertible Notes may require us to repurchase for cash all or part of their 2018 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2018 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

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The 2018A Indenture contains certain covenants, including covenants requiring us to provide certain financial information to the holders of the 2018 Convertible Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. The 2018A Indenture also includes additional financial covenants related to our asset coverage ratio. These covenants are subject to limitations and exceptions that are described in the 2018A Indenture.

The following table summarizes certain key terms related to the convertible features of our Convertible Notes as of September 30, 2018.

	2014		2018	
	Convertible		Convertible	
	Notes		Notes	
Initial conversion premium	12.5	%	10.0	%
Initial conversion rate(1)	62.7746		65.8762	
Initial conversion price	\$ 15.93		\$ 15.18	
Conversion premium at September 30, 2018	11.7	%	10.0	%
Conversion rate at September 30, 2018(1)(2)	63.2794		65.8762	
Conversion price at September 30, 2018(2)(3)	\$ 15.80		\$ 15.18	
Last conversion price calculation date	June 3, 2018		August 20, 2018	

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

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

The conversion price in effect at September 30, 2018 was calculated on the last anniversary of the issuance and (3) will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in distributions, are subject to a conversion price floor of \$14.05 per share for the 2014 Convertible Notes and \$13.80 per share for the 2018 Convertible Notes. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the 2014 Convertible Notes or 72.4637 per \$1 principal amount of the 2018 Convertible Notes. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

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

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three and nine months ended September 30, 2018 and September 30, 2017.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$2.7	\$1.9	\$6.6	\$5.8
Amortization of financing costs	\$0.3	\$0.3	\$0.9	\$0.9
Amortization of premium	\$—	(1)\$—	(1)\$0.1	(1)\$0.1

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Weighted average interest rate	5.2	%	5.0	%	5.1	%	5.0	%
Effective interest rate	5.7	%	5.7	%	5.7	%	5.7	%
Average debt outstanding	\$207.8		\$155.3		\$172.9		\$155.3	

(1) For the three months ended September 30, 2018 and September 30, 2017, the total amortization of premium was less than \$50 thousand.

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As of September 30, 2018 and December 31, 2017, the outstanding balance on the Convertible Notes was \$270.3 million and \$155.3 million, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

### Unsecured Notes

On May 6, 2016, we issued \$50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued \$55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued \$90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, we issued \$50.0 million in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). The NPA provides for future issuances of unsecured notes in separate series or tranches.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commences on January 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below \$150,000. In each such event, we have the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

On September 25, 2018, we closed a registered public offering of \$50.0 million in aggregate principal amount of five-year 5.75% Unsecured Notes (together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes and 2018B Unsecured Notes, the "Unsecured Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture").

The 5.75% Unsecured Notes bear interest at an annual rate of 5.75%, payable quarterly on January 1, April 1, July 1 and October 1 of each year, which commences on January 1, 2019. The 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier redeemed. The 5.75% Unsecured Notes are listed on the New York Stock Exchange and trade under the trading symbol "NMFEX."

We may redeem the 5.75% Unsecured Notes, in whole or in part, at any time, or from time to time, at our option on or after October 1, 2020, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed



for redemption thereof, at a redemption price of 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption.

No sinking fund is provided for the 5.75% Unsecured Notes and holders of the 5.75% Unsecured Notes have no option to have their 5.75% Unsecured Notes repaid prior to the stated maturity date.

The 2018B Indenture contains certain covenants, including covenants requiring us to (i) comply with the asset coverage requirements set forth in Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act as may be applicable to us from time to time or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC and (ii) provide certain

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financial information to the holders of the 5.75% Unsecured Notes and the trustee if we cease to be subject to the reporting requirements of the Exchange Act. The 2018B Indenture also includes additional financial covenants related to asset coverage. These covenants are subject to limitations and exceptions that are described in the 2018B Indenture. The 2018B Indenture provides for customary events of default and further provides that the trustee or the holders of 25% in aggregate principal amount of the outstanding 5.75% Unsecured Notes may declare such 5.75% Unsecured Notes immediately due and payable upon the occurrence of any event of default after expiration of any applicable grace period.

The Unsecured Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Unsecured Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three and nine months ended September 30, 2018 and September 30, 2017.

(in millions)	Three Months Ended		Nine Months Ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Interest expense	\$3.7	\$ 1.8	\$9.2	\$ 4.2	
Amortization of financing costs	\$0.2	\$ 0.1	\$0.5	\$ 0.3	
Weighted average interest rate	5.1	% 5.1	% 5.1	% 5.2	%
Effective interest rate	5.3	% 5.5	% 5.4	% 5.7	%
Average debt outstanding	\$286.1	\$ 145.0	\$242.7	\$ 108.7	

As of September 30, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$335.0 million and \$145.0 million, respectively, and we were in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the 1958 Act by increasing the individual leverage limit from \$150.0 million to \$175.0 million, subject to SBA approvals.

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As of September 30, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75.0 million and \$75.0 million, respectively, and SBA-guaranteed debentures outstanding of \$150.0 million and \$150.0 million, respectively. As of September 30, 2018 and December 31, 2017, SBIC II had regulatory capital of \$42.5 million and \$2.5 million, respectively, and \$15.0 million and \$0, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of September 30, 2018.

(in millions)

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures(1):				
March 25, 2015	March 1, 2025	\$ 37.5	2.517 %	0.355 %
September 23, 2015	September 1, 2025	37.5	2.829 %	0.355 %
September 23, 2015	September 1, 2025	28.8	2.829 %	0.742 %
March 23, 2016	March 1, 2026	13.9	2.507 %	0.742 %
September 21, 2016	September 1, 2026	4.0	2.051 %	0.742 %
September 20, 2017	September 1, 2027	13.0	2.518 %	0.742 %
March 21, 2018	March 1, 2028	15.3	3.187 %	0.742 %
Fixed SBA-guaranteed debentures(2):				
September 19, 2018	September 1, 2028	15.0	3.548 %	0.222 %
Total SBA-guaranteed debentures		\$ 165.0		

(1) SBA-guaranteed debentures are held in SBIC I.

(2) SBA-guaranteed debentures are held in SBIC II.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three and nine months ended September 30, 2018 and September 30, 2017.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense	\$1.3	\$ 1.1	\$3.7	\$ 3.0
Amortization of financing costs	\$0.1	\$ 0.1	\$0.4	\$ 0.3
Weighted average interest rate	3.2 %	3.1 %	3.2 %	3.1 %
Effective interest rate	3.6 %	3.4 %	3.5 %	3.5 %
Average debt outstanding	\$164.4	\$ 134.9	\$156.3	\$ 127.0

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible small businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of September 30, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of September 30, 2018 and December 31, 2017, we had outstanding commitments to third parties to fund investments totaling

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\$138.6 million and \$77.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of September 30, 2018 and December 31, 2017, we had commitment letters to purchase investments in an aggregate par amount of \$15.8 million and \$13.9 million, respectively. As of September 30, 2018 and December 31, 2017, we had not entered into any bridge financing commitments which could require funding in the future.

As of September 30, 2018 and December 31, 2017, we owed \$9.0 million and \$12.0 million, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. We began to make semi-annual payments of \$3.0 million in June 2018, with the final payment due in December 2019.

As of September 30, 2018, we had unfunded commitments related to an equity investment in SLP III of \$13.2 million, which may be funded at our discretion.

**Contractual Obligations**

A summary of our significant contractual payment obligations as of September 30, 2018 is as follows:

(in millions)	Contractual Obligations Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	\$466.0	\$ —	\$ —	\$ 466.0	\$—
Unsecured Notes(2)	335.0	—	90.0	195.0	50.0
SBA-guaranteed debentures(3)	165.0	—	—	—	165.0
Convertible Notes(4)	270.3	155.3	—	115.0	—
NMFC Credit Facility(5)	135.0	—	—	135.0	—
Total Contractual Obligations	\$1,371.3	\$ 155.3	\$ 90.0	\$ 911.0	\$ 215.0

Under the terms of the \$495.0 million Holdings Credit Facility, all outstanding borrowings under that facility (1)(\$466.0 million as of September 30, 2018) must be repaid on or before October 24, 2022. As of September 30, 2018, there was approximately \$29.0 million of possible capacity remaining under the Holdings Credit Facility.

\$90.0 million of the 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased, \$55.0 million of the 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased, \$90.0 million of the 2018A (2)Unsecured Notes will mature on January 30, 2023 unless earlier repurchased and \$50.0 million of the 2018B Unsecured Notes will mature on June 28, 2023 unless earlier repurchased. \$50.0 million of the 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier repurchased.

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

\$155.3 million of the 2014 Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased (4)at the holder's option and the \$115.0 million of the 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted or repurchased at the holder's option or redeemed by us.

Under the terms of the \$135.0 million NMFC Credit Facility, all outstanding borrowings under that facility (\$135.0 (5)million as of September 30, 2018) must be repaid on or before June 4, 2022. As of September 30, 2018, there was no capacity remaining under the NMFC Credit Facility.

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

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

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

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## Distributions and Dividends

Distributions declared and paid to stockholders for the nine months ended September 30, 2018 totaled approximately \$77.5 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the two most recent fiscal years and the current fiscal year to date:

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share
				Amount (1)
December 31, 2018				
Third Quarter	August 1, 2018	September 14, 2018	September 28, 2018	\$ 0.34
Second Quarter	May 2, 2018	June 15, 2018	June 29, 2018	0.34
First Quarter	February 21, 2018	March 15, 2018	March 29, 2018	0.34
				\$ 1.02
December 31, 2017				
Fourth Quarter	November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
Third Quarter	August 4, 2017	September 15, 2017	September 29, 2017	0.34
Second Quarter	May 4, 2017	June 16, 2017	June 30, 2017	0.34
First Quarter	February 23, 2017	March 17, 2017	March 31, 2017	0.34
				\$ 1.36
December 31, 2016				
Fourth Quarter	November 4, 2016	December 15, 2016	December 29, 2016	\$ 0.34
Third Quarter	August 2, 2016	September 16, 2016	September 30, 2016	0.34
Second Quarter	May 3, 2016	June 16, 2016	June 30, 2016	0.34
First Quarter	February 22, 2016	March 17, 2016	March 31, 2016	0.34
				\$ 1.36

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

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

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

## Related Parties

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

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

We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We

reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with



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performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three and nine months ended September 30, 2018 approximately \$0.5 million and \$1.7 million, respectively, of indirect administrative expenses were included in administrative expenses, of which approximately \$0.0 million and \$0.3 million, respectively, of indirect administrative expenses were waived by the Administrator. As of September 30, 2018, \$0.8 million of indirect administrative expenses were included in payable to affiliates.

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

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

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

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## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the nine months ended September 30, 2018, certain of the loans held in our portfolio had floating interest rates. As of September 30, 2018, approximately 87.2% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 12.8% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on September 30, 2018. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of September 30, 2018. Interest expense on our floating rate credit facilities is calculated using the interest rate as of September 30, 2018, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of September 30, 2018. These hypothetical calculations are based on a model of the investments in our portfolio, held as of September 30, 2018, 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	(2.12	)%
Base Interest Rate	—	%
+100 Basis Points	8.77	%
+200 Basis Points	17.63	%
+300 Basis Points	26.50	%

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2018 (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 Exchange Act. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in our internal control over financial reporting that occurred during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our 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

There have been no material changes during the nine months ended September 30, 2018 to the Legal Proceedings discussed in Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2017. We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of September 30, 2018. 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, 2017, 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. Other than as set forth below, there have been no material changes during the nine months ended September 30, 2018 to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017.

The terms of our credit facilities may contractually limit our ability to incur additional indebtedness.

We will need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. We believe that having the flexibility to incur additional leverage could augment the returns to our stockholders and would be in the best interests of our stockholders. Even though our board of directors and our shareholders have approved a resolution permitting us to be subject to a 150.0% asset coverage ratio to be effective as of June 9, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. Currently, our NMFC Credit Facility restricts our ability to incur additional indebtedness if after incurring such additional debt, our asset coverage ratio would be below 161.0%, amended from 200.0% on July 5, 2018. Also, the NMFC Credit Facility requires that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. We cannot assure you that we will be able to negotiate a change to our credit facilities to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits described above related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our results of operations and the value of our shares of common stock.

Recent legislation may allow us to incur additional leverage which could increase the risk of investing in us.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200.0% (i.e., the amount of debt may not exceed 50.0% of the value of our assets). However, on March 23, 2018, the Consolidated Appropriations Act of 2018, which includes the SBCA, was signed into law. The SBCA amends the 1940 Act to permit a BDC to reduce the required minimum asset coverage ratio applicable to it from 200.0% to 150.0% (i.e., the amount of debt may not exceed 66.7% of the value of our assets), subject to certain requirements described therein. On April 12, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified

asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. Changing the asset coverage ratio permits us to double our leverage, which results in increased leverage risk and increased expenses.

As a result of this legislation, we are able to increase our leverage up to an amount that reduces our asset coverage ratio from 200.0% to 150.0%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock

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to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

In addition, in December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval. This new legislation may allow us to issue additional SBIC debentures above the \$225.0 million of SBA-guaranteed debentures previously permitted pending application for and receipt of additional SBIC licenses. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase. The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the 1958 Act by increasing the individual leverage limit from \$150.0 million to \$175.0 million, subject to SBA approvals.

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

We did not engage in unregistered sales of equity securities during the quarter ended September 30, 2018.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the quarter ended September 30, 2018, we did not purchase any of our common stock in the open market in connection with our dividend reinvestment plan.

Stock Repurchase Program

On February 4, 2016, our board of directors authorized a program for the purpose of repurchasing up to \$50.0 million worth of our common stock. Under the repurchase program, we were permitted, but were not obligated to, repurchase our outstanding common stock in the open market from time to time, provided that we complied with our code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 29, 2017, our board of directors extended our repurchase program and we expect the repurchase program to be in place until the earlier of December 31, 2018 or until \$50.0 million of outstanding shares of common stock have been repurchased. We did not repurchase any shares of our common stock under the repurchase program during the quarter ended September 30, 2018.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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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
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- |        |  |
|--------|--|
| 3.1(a) | <u>Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation</u> (2)   |
| 3.1(b) | <u>Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation</u> (3)  |
| 3.2    | <u>Amended and Restated Bylaws of New Mountain Finance Corporation</u> (2)   |
| 4.1    | <u>Form of Stock Certificate of New Mountain Finance Corporation</u> (1)   |
| 10.1   | <u>Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Bank Association, as Trustee, dated August 20, 2018</u> (4)  |
| 10.2   | <u>First Supplemental Indenture, dated August 20, 2018, relating to the 5.75% Convertible Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee</u> (4) |
| 10.3   | <u>Form of Global Note 5.75% Convertible Note Due 2023 (included as part of Exhibit (10.2))</u> (4)  |
| 10.4   | <u>Second Supplemental Indenture, dated September 25, 2018, relating to the 5.75% Notes Due 2023, by and between New Mountain Finance Corporation and U.S. Bank National Association, as trustee</u> (5)         |
| 10.5   | <u>Form of Global Note 5.75% Note Due 2023 (included as part of Exhibit (10.4))</u> (5)  |
| 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   | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</u>  |
| 31.2   | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</u>  |
| 32.1   | <u>Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</u>   |
| 32.2   | <u>Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</u>   |

(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)

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Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 3 (File No. 333-218040) filed on August 20, 2018.

- (5) Previously filed in connection with New Mountain Finance Corporation's registration statement on Form N-2 Post-Effective Amendment No. 4 (File No. 333-218040) filed on September 25, 2018.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 7, 2018.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ ROBERT A. HAMWEE

Robert A. Hamwee  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)