Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended March 31, 2017

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 May 8, 2017
Common stock, par value $0.01 per share	75,571,693

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

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

	March 31, 2017	December 31, 2016
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of $1,483,399 and $1,379,603, respectively)	$ 1,458,331	$ 1,346,556
Non-controlled/affiliated investments (cost of $164,065 and $54,996, respectively)	166,213	57,440
Controlled investments (cost of $149,587 and $140,579, respectively)	162,351	154,821
Total investments at fair value (cost of $1,797,051 and $1,575,178, respectively)	1,786,895	1,558,817
Securities purchased under collateralized agreements to resell (cost of $30,000 and $30,000, respectively)	28,418	29,218
Cash and cash equivalents	37,663	45,928
Interest and dividend receivable	21,714	17,833
Receivable from unsettled securities sold	1,681	990
Receivable from affiliates	715	346
Other assets	3,853	2,886
Total assets	$ 1,880,939	$ 1,656,018
Liabilities		
Borrowings		
Holdings Credit Facility	$ 376,913	$ 333,513
Convertible Notes	155,496	155,523
NMFC Credit Facility	122,500	10,000
SBA-guaranteed debentures	121,745	121,745
Unsecured Notes	90,000	90,000
Deferred financing costs (net of accumulated amortization of $13,267 and $12,279, respectively)	(13,053)	(14,041)
Net borrowings	853,601	696,740
Payable for unsettled securities purchased	50,551	2,740
Management fee payable	12,110	5,852
Incentive fee payable	9,353	5,745
Interest payable	5,650	3,172
Payable to affiliates	412	136
Deferred tax liability	279	1,034
Other liabilities	2,241	2,037
Total liabilities	934,197	717,456
Commitments and contingencies (See Note 9)		
Net assets		
Preferred stock, par value $0.01 per share, 2,000,000 shares authorized, none issued	—	—
Common stock, par value $0.01 per share, 100,000,000 shares authorized, 69,821,693 and 69,755,387 shares issued, respectively, and 69,821,693 and 69,717,814 shares outstanding, respectively	698	698
Paid in capital in excess of par	1,002,869	1,001,862
Treasury stock at cost, 0 and 37,573 shares held, respectively	—	(460)
Accumulated undistributed net investment income	1,800	2,073
Accumulated undistributed net realized losses on investments	(36,121)	(36,947)
Net unrealized (depreciation) appreciation (net of provision for taxes of $279 and $1,034, respectively)	(22,504)	(28,664)
Total net assets	$ 946,742	$ 938,562
Total liabilities and net assets	$ 1,880,939	$ 1,656,018
Number of shares outstanding	69,821,693	69,717,814
Net asset value per share	$ 13.56	$ 13.46

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

New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Investment income		
From non-controlled/non-affiliated investments:		
Interest income	$ 32,876	$ 35,706
Dividend income	51	—
Other income	2,265	1,222
From non-controlled/affiliated investments:		
Interest income	647	1,582
Dividend income	1,648	920
Other income	298	313
From controlled investments:		
Interest income	475	502
Dividend income	5,034	719
Other income	13	12
Total investment income	43,307	40,976
Expenses		
Incentive fee	5,408	5,385
Management fee	7,614	6,836
Interest and other financing expenses	8,376	6,602
Professional fees	850	877
Administrative expenses	708	839
Other general and administrative expenses	466	432
Total expenses	23,422	20,971
Less: management and incentive fees waived (See Note 5)	(3,156)	(1,319)
Less: expenses waived and reimbursed (See Note 5)	(470)	(284)
Net expenses	19,796	19,368
Net investment income before income taxes	23,511	21,608
Income tax expense	80	41
Net investment income	23,431	21,567
Net realized gains:		
Non-controlled/non-affiliated investments	826	176
Net change in unrealized appreciation (depreciation):		
Non-controlled/non-affiliated investments	7,979	(14,414)
Non-controlled/affiliated investments	(296)	(1,151)
Controlled investments	(1,478)	1,179
Securities purchased under collateralized agreements to resell	(800)	(30)
Benefit for taxes	755	724
Net realized and unrealized gains (losses)	6,986	(13,516)
Net increase in net assets resulting from operations	$ 30,417	$ 8,051
Basic earnings per share	$ 0.44	$ 0.13
Weighted average shares of common stock outstanding - basic (See Note 11)	69,718,968	63,934,151
Diluted earnings per share	$ 0.40	$ 0.13
Weighted average shares of common stock outstanding - diluted (See Note 11)	79,543,095	71,211,282
Distributions declared and paid per share	$ 0.34	$ 0.34

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

New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Increase (decrease) in net assets resulting from operations:		
Net investment income	$ 23,431	$ 21,567
Net realized gains on investments	826	176
Net change in unrealized appreciation (depreciation) of investments	6,205	(14,386)
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(800)	(30)
Benefit for taxes	755	724
Net increase in net assets resulting from operations	30,417	8,051
Capital transactions		
Deferred offering costs	—	38
Distributions declared to stockholders from net investment income	(23,704)	(21,719)
Reinvestment of distributions	1,548	—
Repurchase of shares under repurchase program	—	(1,433)
Other	(81)	—
Total net decrease in net assets resulting from capital transactions	(22,237)	(23,114)
Net increase (decrease) in net assets	8,180	(15,063)
Net assets at the beginning of the period	938,562	836,908
Net assets at the end of the period	$ 946,742	$ 821,845

Capital share activity		
Shares issued from the reinvestment of distributions	66,306	—
Shares reissued from repurchase program in connection with the reinvestment of distributions	37,573	—
Shares repurchased under repurchase program	—	(124,950)
Net increase (decrease) in shares outstanding	103,879	(124,950)

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New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Cash flows from operating activities		
Net increase in net assets resulting from operations	$ 30,417	$ 8,051
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(826)	(176)
Net change in unrealized (appreciation) depreciation of investments	(6,205)	14,386
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	800	30
Amortization of purchase discount	(747)	(769)
Amortization of deferred financing costs	988	774
Amortization of premium on Convertible Notes	(27)	—
Non-cash investment income	(1,933)	(1,664)
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(349,477)	(27,591)
Proceeds from sales and paydowns of investments	133,801	40,188
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	120	10
Cash paid on drawn revolvers	(3,970)	(3,806)
Cash repayments on drawn revolvers	1,159	1,443
Interest and dividend receivable	(3,881)	(2,202)
Receivable from unsettled securities sold	(691)	—
Receivable from affiliates	(369)	(347)
Other assets	(967)	(770)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	47,811	2,108
Management fee payable	6,258	5,517
Incentive fee payable	3,608	5,385
Interest payable	2,478	603
Payable to affiliates	276	395
Deferred tax liability	(755)	(724)
Other liabilities	298	283
Net cash flows (used in) provided by operating activities	(141,834)	41,124
Cash flows from financing activities		
Distributions paid	(22,156)	(21,719)
Offering costs paid	(58)	(53)
Proceeds from Holdings Credit Facility	165,600	17,500
Repayment of Holdings Credit Facility	(122,200)	(39,300)
Proceeds from NMFC Credit Facility	122,500	10,500
Repayment of NMFC Credit Facility	(10,000)	(4,000)
Other	(81)	—
Deferred financing costs paid	(36)	(38)
Repurchase of shares under repurchase program	—	(1,433)
Net cash flows provided by (used in) financing activities	133,569	(38,543)
Net (decrease) increase in cash and cash equivalents	(8,265)	2,581
Cash and cash equivalents at the beginning of the period	45,928	30,102
Cash and cash equivalents at the end of the period	$ 37,663	$ 32,683
Supplemental disclosure of cash flow information		
Cash interest paid	$ 4,570	$ 5,031
Income taxes paid	12	2
Non-cash financing activities:		
Value of shares issued in connection with the distribution reinvestment plan	$ 988	$ —
Value of shares reissued from repurchase program in connection with the distribution reinvestment plan	560	—
Accrual for offering costs	540	817

Accrual for deferred financing costs	63	90

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

New Mountain Finance Corporation

Consolidated Schedule of Investments
March 31, 2017
(in thousands, except shares)
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments							
Funded Debt Investments - Australia							
Project Sunshine IV Pty Ltd**							
Media	First lien (2)	8.00% (L + 7.00%/M)	9/23/2019	$ 4,618	$ 4,604	$ 4,647	0.49 %
Total Funded Debt Investments - Australia				**$ 4,618**	**$ 4,604**	**$ 4,647**	**0.49 %**
Funded Debt Investments - Luxembourg							
Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	First lien (2)	4.75% (L + 3.50%/Q)	7/30/2019	$ 2,992	$ 2,533	$ 2,470	
	First lien (3)	4.75% (L + 3.50%/Q)	7/30/2019	1,724	1,467	1,422	
	Second lien (2)	10.50% (L + 9.25%/Q)	7/30/2020	24,630	24,368	17,240	
	Second lien (3)	10.50% (L + 9.25%/Q)	7/30/2020	8,204	8,334	5,743	
				37,550	36,702	26,875	2.84 %
Total Funded Debt Investments - Luxembourg				**$ 37,550**	**$ 36,702**	**$ 26,875**	**2.84 %**
Funded Debt Investments - Netherlands							
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)**							
Software	First lien (2)	6.40% (L + 5.25%/Q)	2/18/2022	$ 16,352	$ 16,362	$ 16,392	
	Second lien (3)	10.27% (L + 9.13%/Q)	2/17/2023	29,227	28,628	29,245	
				45,579	44,990	45,637	4.82 %
Total Funded Debt Investments - Netherlands				**$ 45,579**	**$ 44,990**	**$ 45,637**	**4.82 %**
Funded Debt Investments - United Kingdom							
Air Newco LLC**							
Software	Second lien (3)	10.56% (L + 9.50%/Q)	1/31/2023	$ 37,500	$ 36,483	$ 34,594	3.65 %
Total Funded Debt Investments - United Kingdom				**$ 37,500**	**$ 36,483**	**$ 34,594**	**3.65 %**
Funded Debt Investments - United States							
AmWINS Group, Inc.							
Business Services	Second lien (3)	7.75% (L + 6.75%/M)	1/25/2025	$ 57,000	$ 56,789	$ 57,748	6.10 %
AssuredPartners, Inc.							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	10/20/2023	30,200	29,402	30,673	
	Second lien (2)	10.00% (L + 9.00%/M)	10/20/2023	20,000	19,297	20,312	
				50,200	48,699	50,985	5.39 %
TIBCO Software Inc.							
Software	First lien (2)	5.50% (L + 4.50%/M)	12/4/2020	29,400	28,430	29,745	
	Subordinated (3)	11.38%/S	12/1/2021	15,000	14,673	16,650	
				44,400	43,103	46,395	4.90 %
Salient CRGT Inc.							
Federal Services	First lien (2)	6.75% (L + 5.75%/M)	2/28/2022	42,500	41,933	42,022	4.44 %

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

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Severin Acquisition, LLC							
Software	Second lien (4)	9.90% (L + 8.75%/Q)	7/29/2022	$ 15,000	$ 14,878	$ 15,150	
	Second lien (3)	9.90% (L + 8.75%/Q)	7/29/2022	14,518	14,341	14,663	
	Second lien (4)	9.90% (L + 8.75%/Q)	7/29/2022	4,154	4,119	4,195	
	Second lien (4)	10.40% (L + 9.25%/Q)	7/29/2022	3,273	3,244	3,305	
	Second lien (3)	10.15% (L + 9.00%/Q)	7/29/2022	2,361	2,339	2,384	
	Second lien (3)	10.40% (L + 9.25%/Q)	7/29/2022	1,825	1,808	1,843	
	Second lien (4)	10.40% (L + 9.25%/Q)	7/29/2022	300	297	303	
				41,431	41,026	41,843	4.42 %
Hill International, Inc.							
Business Services	First lien (2)	7.75% (L + 6.75%/M)	9/28/2020	41,438	41,068	41,438	4.38 %
Tenawa Resource Holdings LLC (13)							
Tenawa Resource Management LLC							
Energy	First lien (3)	10.50% (Base + 8.00%/Q)	5/12/2019	40,000	39,913	39,826	4.21 %
Kronos Incorporated							
Software	Second lien (2)	9.28% (L + 8.25%/Q)	11/1/2024	36,000	35,470	37,220	3.93 %
Ascend Learning, LLC							
Education	Second lien (3)	9.52% (L + 8.50%/Q)	11/30/2020	36,727	36,427	37,049	3.91 %
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	10.40% (L + 9.25%/Q)	6/17/2021	24,000	23,828	24,240	
	Second lien (3)	10.54% (L + 9.50%/Q)	6/17/2021	6,500	6,446	6,565	
	Second lien (3)	9.65% (L + 8.50%/Q)	6/17/2021	6,000	5,915	5,910	
				36,500	36,189	36,715	3.88 %
Redbox Automated Retail, LLC							
Consumer Services	First lien (2)	8.50% (L + 7.50%/M)	9/27/2021	36,573	36,164	36,619	3.87 %
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/M)	10/21/2021	34,662	34,102	34,748	3.67 %
Weston Solutions, Inc.							
Business Services	First lien (2)	10.50% (L + 9.50%/M)	12/31/2020	34,286	34,286	34,286	3.62 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.15% (L + 6.00%/Q)	4/20/2021	19,257	19,118	19,257	
	First lien (2)	7.15% (L + 6.00%/Q)	4/20/2021	7,773	7,639	7,773	
	First lien (4)	7.15% (L + 6.00%/Q)	4/20/2021	2,671	2,649	2,671	
	First lien (2)	7.15% (L + 6.00%/Q)	4/20/2021	1,644	1,613	1,644	
	First lien (3)(11) - Drawn	7.15% (L + 6.00%/Q)	4/20/2021	608	596	608	
	First lien (4)	7.15% (L + 6.00%/Q)	4/20/2021	499	490	499	
				32,452	32,105	32,452	3.43 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/M)	9/24/2021	29,550	29,259	29,550	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/M)	9/24/2021	2,250	2,222	2,250	
				31,800	31,481	31,800	3.36 %
Evo Payments International, LLC							
Business Services	Second lien (2)	10.00% (L + 9.00%/M)	12/23/2024	25,000	24,817	25,250	
	Second lien (3)	10.00% (L + 9.00%/M)	12/23/2024	5,000	5,050	5,050	
				30,000	29,867	30,300	3.20 %
Integro Parent Inc.							
Business Services	First lien (2)	6.80% (L + 5.75%/Q)	10/31/2022	19,756	19,426	19,854	
	Second lien (3)	10.29% (L + 9.25%/Q)	10/30/2023	10,000	9,913	9,849	
				29,756	29,339	29,703	3.14 %

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New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TW-NHME Holdings Corp. (20)							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.40% (L + 9.25%/Q)	7/14/2022	$ 21,500	$ 21,275	$ 21,500	
	Second lien (3)	10.40% (L + 9.25%/Q)	7/14/2022	5,800	5,729	5,800	
				27,300	27,004	27,300	2.88 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	27,020	26,553	27,020	2.85 %
Marketo, Inc.							
Software	First lien (3)	10.65% (L + 9.50%/Q)	8/16/2021	26,820	26,457	26,595	2.81 %
Ansira Holdings, Inc.							
Business Services	First lien (2)	7.66% (Base + 6.50%/Q)	12/20/2022	26,182	26,055	25,985	2.74 %
nThrive, Inc. (fka Precyse Acquisition Corp.)							
Healthcare Services	Second lien (2)	10.75% (L + 9.75%/M)	4/20/2023	25,000	24,604	25,000	2.64 %
AAC Holding Corp.							
Education	First lien (2)	9.25% (L + 8.25%/M)	9/30/2020	23,729	23,465	23,965	2.53 %
Navex Global, Inc.							
Software	Second lien (3)	10.31% (L + 8.75%/Q)	11/18/2022	12,536	12,211	12,473	
	Second lien (4)	10.31% (L + 8.75%/Q)	11/18/2022	11,508	11,383	11,450	
				24,044	23,594	23,923	2.53 %
EN Engineering, LLC							
Business Services	First lien (2)	7.15% (L + 6.00%/Q)	6/30/2021	21,054	20,895	21,054	
	First lien (2)	7.97% (Base + 5.56%/Q)	6/30/2021	2,183	2,165	2,183	
				23,237	23,060	23,237	2.45 %
TWDiamondback Holdings Corp. (15)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.90% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,895	
	First lien (3)	9.90% (L + 8.75%/Q)	11/19/2019	2,158	2,158	2,158	
	First lien (4)	9.90% (L + 8.75%/Q)	11/19/2019	605	605	605	
				22,658	22,658	22,658	2.39 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	21,930	21,698	21,752	2.30 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/M)	11/13/2017	21,544	21,476	21,544	2.28 %
IT'SUGAR LLC							
Retail	First lien (4)	11.35% (L + 10.00%/Q)	10/23/2019	20,844	20,289	20,844	2.20 %
Vision Solutions, Inc.							
Software	First lien (2)	7.64% (L + 6.50%/Q)	6/16/2022	19,632	19,457	19,718	2.08 %
Pelican Products, Inc.							
Business Products	Second lien (2)	9.40% (L + 8.25%/Q)	4/9/2021	10,000	10,079	9,962	
	Second lien (3)	9.40% (L + 8.25%/Q)	4/9/2021	9,500	9,503	9,465	
				19,500	19,582	19,427	2.05 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S (10)	12/15/2018	25,000	25,000	14,882	
	First lien (3)	12.25%/S (10)	12/15/2018	2,660	2,231	1,583	
	First lien (3)	9.00% (L + 8.00%/M)	6/13/2017	2,239	2,212	2,205	
				29,899	29,443	18,670	1.97 %

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

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	$ 18,500	$ 18,386	$ 18,324	1.94 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/M)	7/2/2021	17,587	17,456	17,587	
	First lien (3)(11) - Drawn	8.25% (P + 4.25%/Q)	7/2/2021	513	507	513	
				18,100	17,963	18,100	1.91 %
Project Alpha Intermediate Holding, Inc.							
Software	First lien (2)	9.25% (L + 8.25%/M)	8/22/2022	17,910	17,745	17,988	1.90 %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/M)	8/4/2022	17,730	17,587	17,730	1.87 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	15,520	15,233	15,868	1.68 %
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien (2)	10.55% (L + 9.50%/Q)	10/19/2023	15,000	14,657	14,963	1.58 %
Cvent, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/M)	11/29/2023	5,000	4,964	5,075	
	Second lien (3)	11.00% (L + 10.00%/M)	5/29/2024	10,000	9,854	9,850	
				15,000	14,818	14,925	1.58 %
Amerijet Holdings, Inc.							
Distribution & Logistics	First lien (4)	9.00% (L + 8.00%/M)	7/15/2021	12,375	12,293	12,358	
	First lien (4)	9.00% (L + 8.00%/M)	7/15/2021	2,063	2,049	2,060	
				14,438	14,342	14,418	1.52 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (L + 8.75%/M)	12/30/2021	14,265	14,152	14,265	1.51 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	12.25% (L + 11.00%/M)	6/4/2018	13,740	13,687	13,757	1.45 %
Ministry Brands, LLC							
Software	First lien (3)	6.00% (L + 5.00%/M)	12/2/2022	3,015	3,001	3,007	
	First lien (3)(11) - Drawn	6.00% (L + 5.00%/M)	12/2/2022	350	348	349	
	Second lien (3)	10.25% (L + 9.25%/M)	6/2/2023	7,840	7,783	7,782	
	Second lien (3)	10.25% (L + 9.25%/M)	6/2/2023	2,160	2,144	2,144	
				13,365	13,276	13,282	1.40 %
Poseidon Intermediate, LLC							
Software	Second lien (2)	9.56% (L + 8.50%/Q)	8/15/2023	13,000	12,834	13,000	1.37 %
Zywave, Inc.							
Software	Second lien (4)	10.04% (L + 9.00%/Q)	11/17/2023	11,000	10,920	10,918	1.15 %
QC McKissock Investment, LLC (14)							
McKissock, LLC							
Education	First lien (2)	7.65% (L + 6.50%/Q)	8/5/2019	6,447	6,409	6,447	
	First lien (2)	7.65% (L + 6.50%/Q)	8/5/2019	3,074	3,058	3,074	
	First lien (2)	7.65% (L + 6.50%/Q)	8/5/2019	992	986	992	
				10,513	10,453	10,513	1.11 %
Masergy Holdings, Inc.							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	12/16/2024	10,000	9,939	10,150	1.07 %
Quest Software US Holdings Inc.							
Software	First lien (2)	7.00% (L + 6.00%/Q)	10/31/2022	9,975	9,834	10,128	1.07 %

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PowerPlan Holdings, Inc.							
Software	Second lien (2)	10.00% (L + 9.00%/M)	2/23/2023	$ 10,000	$ 9,919	$ 10,000	1.06 %
FR Arsenal Holdings II Corp.							
Business Services	First lien (2)	8.38% (L + 7.25%/Q)	9/8/2022	9,950	9,857	9,851	1.04 %
WD Wolverine Holdings, LLC							
Healthcare Services	First lien (2)	6.65% (L + 5.50%/Q)	8/16/2022	10,000	9,679	9,650	1.02 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,905	8,640	0.91 %
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated (3)	10.00% (L + 9.00%/M)	8/31/2021	7,000	6,936	7,274	0.77 %
First American Payment Systems, L.P.							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	1/5/2024	7,188	7,118	7,202	0.76 %
J.D. Power and Associates							
Business Services	Second lien (3)	9.50% (L + 8.50%/M)	9/7/2024	7,000	6,900	7,105	0.75 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/Q)	4/21/2017	6,396	6,394	6,396	0.68 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,773	5,738	0.61 %
VF Holding Corp.							
Software	Second lien (3)	10.00% (L + 9.00%/M)	6/28/2024	5,000	4,953	5,107	0.54 %
ADG, LLC							
Healthcare Services	Second lien (3)	10.00% (L + 9.00%/M)	3/28/2024	5,000	4,928	4,960	0.52 %
Vencore, Inc. (fka The SI Organization Inc.)							
Federal Services	Second lien (3)	9.90% (L + 8.75%/Q)	5/23/2020	4,000	3,932	4,037	0.43 %
Transtar Holding Company							
Distribution & Logistics	Second lien (3)	13.75% (P + 9.75%/Q) (10)	10/9/2019	36,112	3,155	2,030	
	Second lien (2)	13.75% (P + 9.75%/Q) (10)	10/9/2019	28,300	28,011	1,591	
				64,412	31,166	3,621	0.38 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,820	0.30 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,941	2,110	0.22 %
Education Management Corporation (19)							
Education Management II LLC							
Education	First lien (2)	5.51% (L + 4.50%/Q)	7/2/2020	250	241	130	
	First lien (3)	5.51% (L + 4.50%/Q)	7/2/2020	141	136	73	
	First lien (2)	8.51% (L + 1.00% + 6.50% PIK/Q) *	7/2/2020	475	427	25	
	First lien (3)	8.51% (L + 1.00% + 6.50% PIK/Q) *	7/2/2020	268	241	14	
				1,134	1,045	242	0.03 %
Total Funded Debt Investments - United States				**$ 1,399,200**	**$ 1,350,628**	**$ 1,331,869**	**140.68 %**
Total Funded Debt Investments				**$ 1,524,447**	**$ 1,473,407**	**$ 1,443,622**	**152.48 %**

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Equity - United States							
Tenawa Resource Holdings LLC (13)							
QID NGL LLC							
Energy	Ordinary shares (7)	—	—	5,290,997	$ 5,291	$ 4,922	0.52 %
TWDiamondback Holdings Corp. (15)							
Distribution & Logistics	Preferred shares (4)	—	—	200	2,000	2,664	0.28 %
TW-NHME Holdings Corp. (20)							
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,888	
	Preferred shares (4)	—	—	16	158	298	
	Preferred shares (4)	—	—	6	68	115	
					1,226	2,301	0.24 %
Ancora Acquisition LLC							
Education	Preferred shares (6)	—	—	372	83	393	0.04 %
YP Holdings LLC / Print Media Holdings LLC (12)							
Media	Preferred shares (5)	—	—	312,730	313	313	
	Membership Interest (5)	—	—	53,843	—	—	
	Membership Interest (5)	—	—	53,843	—	—	
					313	313	0.03 %
Education Management Corporation (19)							
Education	Preferred shares (2)	—	—	3,331	200	1	
	Preferred shares (3)	—	—	1,879	113	1	
	Ordinary shares (2)	—	—	2,994,065	100	24	
	Ordinary shares (3)	—	—	1,688,976	56	14	
					469	40	0.01 %
Total Shares - United States					**$ 9,382**	**$ 10,633**	**1.12 %**
Total Shares					**$ 9,382**	**$ 10,633**	**1.12 %**
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors, LLC							
Media	Warrants (5)	—	5/8/2022	5	$ —	$ 2,653	0.28 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	5/5/2026	622	37	1,132	0.12 %
IT'SUGAR LLC							
Retail	Warrants (3)	—	10/23/2025	94,672	817	352	0.04 %
Ancora Acquisition LLC							
Education	Warrants (6)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					**$ 854**	**$ 4,137**	**0.44 %**
Total Funded Investments					**$ 1,483,643**	**$ 1,458,392**	**154.04 %**
Unfunded Debt Investments - United States							
DCA Investment Holding, LLC							
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	$ 1,587	$ (16)	$ —	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	—	— %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	$ 1,500	$ (19)	$ —	— %
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	2,700	(27)	—	
	First lien (3)(11) - Undrawn	—	2/24/2019	5,409	(108)	—	
				8,109	(135)	—	— %
Weston Solutions, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/31/2020	10,000	—	—	— %
Ministry Brands, LLC							
Software	First lien (3)(11) - Undrawn	—	12/2/2022	650	(3)	(2)	(0.00)%
Zywave, Inc.							
Software	First lien (3)(11) - Undrawn	—	11/17/2022	2,000	(15)	(15)	(0.00)%
Marketo, Inc.							
Software	First lien (3)(11) - Undrawn	—	8/16/2021	1,788	(27)	(15)	(0.00)%
Ansira Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/20/2018	3,818	(19)	(29)	(0.01)%
Total Unfunded Debt Investments - United States				**$ 30,452**	**$ (244)**	**$ (61)**	**(0.01)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,483,399**	**$ 1,458,331**	**154.03 %**
Non-Controlled/Affiliated Investments (22)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Drawn	5.00%/M	6/9/2020	$ 3,050	$ 3,050	$ 3,050	
	Subordinated (3)	8.50% PIK/Q*	6/9/2020	4,213	4,208	4,213	
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	15,551	15,551	13,416	
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,825	3,825	3,300	
				26,639	26,634	23,979	2.53 %
Permian Holdco 1, Inc.							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)	14.00% PIK/Q*	10/15/2021	1,810	1,810	1,810	0.19 %
Total Funded Debt Investments - United States				**$ 28,449**	**$ 28,444**	**$ 25,789**	**2.72 %**
Equity - United States							
HI Technology Corp.							
Business Services	Preferred shares (3)(21)	—	—	2,768,000	$ 105,155	$ 105,155	11.11 %
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	23,000	23,000	2.43 %
Permian Holdco 1, Inc.							
Energy	Preferred shares (3)(17)	—	—	1,436,064	6,096	7,898	
	Ordinary shares (3)	—	—	1,366,452	1,350	1,638	
					7,446	9,536	1.01 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Edmentum Ultimate Holdings, LLC (16)							
Education	Ordinary shares (3)	—	—	123,968	$ 11	$ 1,466	
	Ordinary shares (2)	—	—	107,143	9	1,267	
					20	2,733	0.29 %
Total Shares - United States					**$ 135,621**	**$ 140,424**	**14.84 %**
Warrants - United States							
HI Technology Corp.							
Business Services	Warrants (3)	—	5/1/2017	1,384,000	$ —	$ —	— %
Total Warrants - United States					**$ —**	**$ —**	**— %**
Total Funded Investments					**$ 164,065**	**$ 166,213**	**17.56 %**
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	$ 1,830	$ —	$ —	— %
Permian Holdco 1, Inc.							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(11) - Undrawn	—	10/15/2021	1,025	—	—	— %
Total Unfunded Debt Investments - United States				**$ 2,855**	**$ —**	**$ —**	**— %**
Total Non-Controlled/Affiliated Investments					**$ 164,065**	**$ 166,213**	**17.56 %**
Controlled Investments (23)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	9.65% (L + 8.50%/Q)	1/13/2019	$ 10,846	$ 10,846	$ 10,878	
	First lien (2)	11.23% (Base + 6.65% + 1.00% PIK/Q)*	1/13/2019	4,796	4,796	4,814	
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,792	1,792	1,792	
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	1,072	1,072	1,072	
				18,506	18,506	18,556	1.96 %
Total Funded Debt Investments - United States				**$ 18,506**	**$ 18,506**	**$ 18,556**	**1.96 %**
Equity - Canada							
NM APP Canada Corp.**							
Net Lease	Membership interest (8)	—	—	—	$ 7,345	$ 7,345	0.78 %
Total Shares - Canada					**$ 7,345**	**$ 7,345**	**0.78 %**
Equity - United States							
NMFC Senior Loan Program II LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 79,400	$ 79,400	8.39 %
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(18)	—	—	19,691,311	17,310	18,841	
	Preferred shares (3)(18)	—	—	5,441,741	4,784	5,207	
	Ordinary shares (2)	—	—	2,096,477	1,925	10,355	
	Ordinary shares (3)	—	—	579,366	532	2,862	
					24,551	37,265	3.94 %
NM KRLN LLC							
Net Lease	Membership interest (8)	—	—	—	7,510	7,510	0.79 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
NM DRVT LLC							
Net Lease	Membership interest (8)	—	—	—	$ 5,152	$ 5,152	0.54 %
NM APP US LLC							
Net Lease	Membership interest (8)	—	—	—	5,080	5,080	0.54 %
NM JRA LLC							
Net Lease	Membership interest (8)	—	—	—	2,043	2,043	0.21 %
Total Shares - United States					**$ 123,736**	**$ 136,450**	**14.41 %**
Total Shares					**$ 131,081**	**$ 143,795**	**15.19 %**
Total Funded Investments					**$ 149,587**	**$ 162,351**	**17.15 %**
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	$ 2,048	$ —	$ —	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments - United States				**$ 2,806**	**$ —**	**$ —**	**— %**
Total Controlled Investments					**$ 149,587**	**$ 162,351**	**17.15 %**
Total Investments					**$ 1,797,051**	**$ 1,786,895**	**188.74 %**

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

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

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

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

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

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

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

(8) Investment 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 March 31, 2017.

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

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

(12) The Company holds investments in three related entities of YP Holdings LLC/Print Media Holdings LLC. The Company holds preferred equity and membership interests in YP Holdings LLC and membership interests in Print Media Holdings LLC. The preferred equity is entitled to receive cumulative preferential dividends at a rate of 18.0% per annum payable in additional shares. In addition, the Company directly holds warrants to purchase a 4.96% membership interest of YP Equity Investors, LLC (which at closing represented an indirect 1.0% equity interest in YP Holdings LLC) and holds an investment in the Term Loan B loans issued by YP LLC and Print Media LLC, wholly-owned subsidiaries of YP Holdings LLC and Print Media Holdings LLC, respectively.

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

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

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

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

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

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

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

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

Portfolio Company (1)	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 March 31, 2017	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	$ 23,247	$ 3,623	$ —	$ —	$ (158)	$ 26,712	$ 586	$ —	$ —
HI Technology Corp.	—	105,155	—	—	—	105,155	—	417	—
NMFC Senior Loan Program I LLC	23,000	—	—	—	—	23,000	—	1,004	290
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.	11,193	291	—	—	(138)	11,346	61	227	8
Total Non-Controlled/Affiliated Investments	**$ 57,440**	**$ 109,069**	**$ —**	**$ —**	**$ (296)**	**$ 166,213**	**$ 647**	**$ 1,648**	**$ 298**

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

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

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

New Mountain Finance Corporation

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

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

Portfolio Company (1)	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 March 31, 2017	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	$ 27,000	$ —	$ (27,000)	$ —	$ —	$ —	$ —	$ —	$ —
NM APP Canada Corp.	—	7,345	—	—	—	7,345	—	274	—
NM APP US LLC	—	5,080	—	—	—	5,080	—	142	—
NM DRVT LLC	—	5,152	—	—	—	5,152	—	125	—
NM JRA LLC	—	2,043	—	—	—	2,043	—	55	—
NM KRLN LLC	—	7,510	—	—	—	7,510	—	183	—
NMFC Senior Loan Program II LLC	71,460	7,940	—	—	—	79,400	—	3,434	—
UniTek Global Services, Inc.	56,361	938	—	—	(1,478)	55,821	475	821	13
Total Controlled Investments	**$ 154,821**	**$ 36,008**	**$ (27,000)**	**$ —**	**$ (1,478)**	**$ 162,351**	**$ 475**	**$ 5,034**	**$ 13**

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

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

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be “ non-qualifying assets” under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company’ s total assets at the time of acquisition of any additional non-qualifying assets. As of March 31, 2017, 11.8% of the Company’ s total assets were non-qualifying assets.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
March 31, 2017
(unaudited)

Investment Type	March 31, 2017 Percent of Total Investments at Fair Value
First lien	42.12%
Second lien	36.89%
Subordinated	4.26%
Equity and other	16.73%
Total investments	100.00%

Industry Type	March 31, 2017 Percent of Total Investments at Fair Value
Business Services	34.26%
Software	25.66%
Consumer Services	5.91%
Investment Fund	5.73%
Education	5.60%
Healthcare Services	4.89%
Energy	4.18%
Federal Services	4.14%
Distribution & Logistics	3.80%
Net Lease	1.52%
Media	1.19%
Retail	1.19%
Business Products	1.09%
Healthcare Information Technology	0.84%
Total investments	100.00%

Interest Rate Type	March 31, 2017 Percent of Total Investments at Fair Value
Floating rates	87.37%
Fixed rates	12.63%
Total investments	100.00%

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

New Mountain Finance Corporation

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

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

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
PetVet Care Centers LLC							
Consumer Services	Second lien (3)	10.25% (L + 9.25%/Q)	6/17/2021	$ 24,000	$ 23,820	$ 24,240	
	Second lien (3)	10.50% (L + 9.50%/Q)	6/17/2021	6,500	6,444	6,565	
	Second lien (3)	9.50% (L + 8.50%/Q)	6/17/2021	6,000	5,910	5,910	
				36,500	36,174	36,715	3.91 %
Ascend Learning, LLC							
Education	Second lien (3)	9.50% (L + 8.50%/Q)	11/30/2020	35,227	34,895	34,963	3.73 %
Weston Solutions, Inc.							
Business Services	First lien (2)	10.50% (L + 9.50%/M)	12/31/2020	34,821	34,821	34,821	3.71 %
Redbox Automated Retail, LLC							
Consumer Services	First lien (2)	8.50% (L + 7.50%/Q)	9/27/2021	33,469	32,987	32,601	3.47 %
Valet Waste Holdings, Inc.							
Business Services	First lien (2)	8.00% (L + 7.00%/Q)	9/24/2021	29,625	29,320	29,625	
	First lien (3)(11) - Drawn	8.00% (L + 7.00%/Q)	9/24/2021	2,250	2,222	2,250	
				31,875	31,542	31,875	3.40 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	7.25% (L + 6.25%/Q)	4/20/2021	19,306	19,159	19,306	
	First lien (2)	7.25% (L + 6.25%/Q)	4/20/2021	7,793	7,652	7,793	
	First lien (4)	7.25% (L + 6.25%/Q)	4/20/2021	2,677	2,655	2,677	
	First lien (4)(11) - Drawn	7.25% (L + 6.25%/Q)	4/20/2021	373	365	373	
				30,149	29,831	30,149	3.21 %
Integro Parent Inc.							
Business Services	First lien (2)	6.75% (L + 5.75%/Q)	10/31/2022	19,806	19,463	19,607	
	Second lien (3)	10.25% (L + 9.25%/Q)	10/30/2023	10,000	9,910	9,750	
				29,806	29,373	29,357	3.13 %
ProQuest LLC							
Business Services	Second lien (3)	10.00% (L + 9.00%/M)	12/15/2022	28,700	28,188	28,700	3.06 %
CRGT Inc.							
Federal Services	First lien (2)	7.50% (L + 6.50%/M)	12/19/2020	27,409	27,252	27,478	2.93 %
Evo Payments International, LLC							
Business Services	First lien (2)	6.00% (L + 5.00%/M)	12/22/2023	2,500	2,487	2,515	
	Second lien (2)	10.00% (L + 9.00%/M)	12/23/2024	25,000	24,813	24,813	
				27,500	27,300	27,328	2.91 %
Severin Acquisition, LLC							
Software	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	15,000	14,873	15,000	
	Second lien (4)	9.75% (L + 8.75%/Q)	7/29/2022	4,154	4,118	4,154	
	Second lien (4)	10.25% (L + 9.25%/Q)	7/29/2022	3,273	3,243	3,305	
	Second lien (3)	10.00% (L + 9.00%/Q)	7/29/2022	2,361	2,338	2,384	
	Second lien (3)	10.25% (L + 9.25%/Q)	7/29/2022	1,825	1,807	1,843	
	Second lien (4)	10.25% (L + 9.25%/Q)	7/29/2022	300	297	303	
				26,913	26,676	26,989	2.88 %
Marketo, Inc.							
Software	First lien (3)	10.50% (L + 9.50%/Q)	8/16/2021	26,820	26,442	26,418	2.81 %
Ansira Holdings, Inc.							
Business Services	First lien (2)	7.50% (L + 6.50%/Q)	12/20/2022	26,182	26,051	26,051	2.78 %
Pelican Products, Inc.							
Business Products	Second lien (3)	9.25% (L + 8.25%/Q)	4/9/2021	15,500	15,506	15,170	
	Second lien (2)	9.25% (L + 8.25%/Q)	4/9/2021	10,000	10,107	9,788	
				25,500	25,613	24,958	2.66 %

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(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
DigiCert Holdings, Inc.							
Software	First lien (2)	6.00% (L + 5.00%/Q)	10/21/2021	$ 24,750	$ 24,134	$ 24,719	2.63 %
nThrive, Inc. (fka Precyse Acquisition Corp.)							
Healthcare Services	Second lien (2)	10.75% (L + 9.75%/M)	4/20/2023	25,000	24,593	24,711	2.63 %
AAC Holding Corp.							
Education	First lien (2)	8.25% (L + 7.25%/M)	9/30/2020	23,918	23,637	23,918	2.55 %
Ryan, LLC							
Business Services	First lien (2)	6.75% (L + 5.75%/M)	8/7/2020	23,927	23,656	23,785	2.53 %
EN Engineering, LLC							
Business Services	First lien (2)	7.00% (L + 6.00%/Q)	6/30/2021	21,107	20,940	21,107	
	First lien (2)	7.78% (Base + 5.55%/Q)	6/30/2021	2,189	2,170	2,189	
				23,296	23,110	23,296	2.48 %
TWDiamondback Holdings Corp. (15)							
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)							
Distribution & Logistics	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	19,895	19,895	19,895	
	First lien (3)	9.75% (L + 8.75%/Q)	11/19/2019	2,158	2,158	2,158	
	First lien (4)	9.75% (L + 8.75%/Q)	11/19/2019	605	605	605	
				22,658	22,658	22,658	2.41 %
Vision Solutions, Inc.							
Software	First lien (2)	7.50% (Base + 6.50%/Q)	6/16/2022	22,359	22,153	22,317	2.38 %
KeyPoint Government Solutions, Inc.							
Federal Services	First lien (2)	7.75% (L + 6.50%/Q)	11/13/2017	22,411	22,312	22,299	2.38 %
TW-NHME Holdings Corp. (20)							
National HME, Inc.							
Healthcare Services	Second lien (4)	10.25% (L + 9.25%/Q)	7/14/2022	21,500	21,268	21,500	
	Second lien (3)	10.25% (L + 9.25%/Q)	7/14/2022	500	494	500	
				22,000	21,762	22,000	2.34 %
IT'SUGAR LLC							
Retail	First lien (4)	10.50% (L + 9.50%/Q)	10/23/2019	20,790	20,189	20,467	2.18 %
First American Payment Systems, L.P.							
Business Services	Second lien (2)	10.75% (L + 9.50%/M)	4/12/2019	18,643	18,483	18,643	1.99 %
DCA Investment Holding, LLC							
Healthcare Services	First lien (2)	6.25% (L + 5.25%/Q)	7/2/2021	17,632	17,493	17,632	
	First lien (3)(11) - Drawn	8.00% (P + 4.25%/Q)	7/2/2021	752	744	752	
				18,384	18,237	18,384	1.96 %
AgKnowledge Holdings Company, Inc.							
Business Services	Second lien (2)	9.25% (L + 8.25%/M)	7/23/2020	18,500	18,379	18,046	1.92 %
Project Alpha Intermediate Holding, Inc.							
Software	First lien (2)	9.25% (L + 8.25%/M)	8/22/2022	17,955	17,784	17,775	1.89 %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (4)	8.25% (L + 7.25%/Q)	8/4/2022	17,775	17,626	17,775	1.89 %
Sierra Hamilton LLC / Sierra Hamilton Finance, Inc.							
Energy	First lien (2)	12.25%/S (8)	12/15/2018	25,000	25,000	16,012	
	First lien (3)	12.25%/S (8)	12/15/2018	2,660	2,231	1,704	
				27,660	27,231	17,716	1.89 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Greenway Health, LLC (fka Vitera Healthcare Solutions, LLC)							
Software	First lien (2)	6.00% (L + 5.00%/Q)	11/4/2020	$ 1,891	$ 1,880	$ 1,865	
	Second lien (2)	9.25% (L + 8.25%/Q)	11/4/2021	14,000	13,448	13,650	
				15,891	15,328	15,515	1.65 %
YP Holdings LLC / Print Media Holdings LLC (12)							
YP LLC / Print Media LLC							
Media	First lien (2)	12.25% (L + 11.00%/M)	6/4/2018	15,267	15,197	15,191	1.62 %
Netsmart Inc. / Netsmart Technologies, Inc.							
Healthcare Information Technology	Second lien (2)	10.50% (L + 9.50%/Q)	10/19/2023	15,000	14,648	14,944	1.59 %
Cvent, Inc.							
Software	First lien (3)	6.00% (L + 5.00%/Q)	11/29/2023	5,000	4,963	5,064	
	Second lien (3)	11.00% (L + 10.00%/Q)	5/29/2024	10,000	9,851	9,850	
				15,000	14,814	14,914	1.59 %
Amerijet Holdings, Inc.							
Distribution & Logistics	First lien (4)	9.00% (L + 8.00%/M)	7/15/2021	12,536	12,449	12,442	
	First lien (4)	9.00% (L + 8.00%/M)	7/15/2021	2,089	2,075	2,074	
				14,625	14,524	14,516	1.55 %
SW Holdings, LLC							
Business Services	Second lien (4)	9.75% (L + 8.75%/Q)	12/30/2021	14,265	14,147	14,265	1.52 %
Poseidon Intermediate, LLC							
Software	Second lien (2)	9.50% (L + 8.50%/Q)	8/15/2023	13,000	12,829	13,000	1.39 %
Zywave, Inc.							
Software	Second lien (4)	10.00% (L + 9.00%/Q)	11/17/2023	11,000	10,918	10,918	1.16 %
Aricent Technologies							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	4/14/2022	12,500	12,316	10,719	1.14 %
QC McKissock Investment, LLC (14)							
McKissock, LLC							
Education	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	6,463	6,421	6,463	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	3,081	3,064	3,081	
	First lien (2)	7.50% (L + 6.50%/Q)	8/5/2019	994	988	994	
				10,538	10,473	10,538	1.12 %
Quest Software US Holdings Inc.							
Software	First lien (2)	7.00% (L + 6.00%/Q)	10/31/2022	10,000	9,854	10,152	1.08 %
Masergy Holdings, Inc.							
Business Services	Second lien (2)	9.50% (L + 8.50%/Q)	12/16/2024	10,000	9,938	10,000	1.07 %
PowerPlan Holdings, Inc.							
Software	Second lien (2)	10.00% (L + 9.00%/M)	2/23/2023	10,000	9,916	10,000	1.07 %
FR Arsenal Holdings II Corp.							
Business Services	First lien (2)	8.25% (L + 7.25%/Q)	9/8/2022	9,975	9,879	9,875	1.05 %
American Tire Distributors, Inc.							
Distribution & Logistics	Subordinated (3)	10.25%/S	3/1/2022	9,700	9,523	9,353	1.00 %
Harley Marine Services, Inc.							
Distribution & Logistics	Second lien (2)	10.50% (L + 9.25%/Q)	12/20/2019	9,000	8,897	8,640	0.92 %
Ministry Brands, LLC							
Software	First lien (3)(11) - Drawn	6.00% (L + 5.00%/Q)	12/2/2022	350	348	348	
	Second lien (3)	10.25% (L + 9.25%/Q)	6/2/2023	7,840	7,782	7,781	
				8,190	8,130	8,129	0.87 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Lonestar Intermediate Super Holdings, LLC							
Business Services	Subordinated (3)	10.00% (L + 9.00%/M)	8/31/2021	$ 7,000	$ 6,934	$ 7,210	0.77 %
J.D. Power and Associates							
Business Services	Second lien (3)	9.50% (L + 8.50%/Q)	9/7/2024	7,000	6,898	7,035	0.75 %
Confie Seguros Holding II Co.							
Consumer Services	Second lien (2)	10.25% (L + 9.00%/M)	5/8/2019	6,957	6,952	6,919	0.74 %
Sotera Defense Solutions, Inc. (Global Defense Technology & Systems, Inc.)							
Federal Services	First lien (2)	9.00% (L + 7.50%/Q)	4/21/2017	6,396	6,389	6,300	0.67 %
Solera LLC / Solera Finance, Inc.							
Software	Subordinated (3)	10.50%/S	3/1/2024	5,000	4,768	5,650	0.60 %
VF Holding Corp.							
Software	Second lien (3)	10.00% (L + 9.00%/Q)	6/28/2024	5,000	4,952	4,950	0.53 %
ADG, LLC							
Healthcare Services	Second lien (3)	10.00% (L + 9.00%/Q)	3/28/2024	5,000	4,926	4,925	0.53 %
Vencore, Inc. (fka The SI Organization Inc.)							
Federal Services	Second lien (3)	9.75% (L + 8.75%/Q)	5/23/2020	4,000	3,928	4,039	0.43 %
Transtar Holding Company							
Distribution & Logistics	Second lien (3)	13.50% (P + 9.75%/Q) (8)	10/9/2019	36,112	3,155	2,167	
	Second lien (2)	13.50% (P + 9.75%/Q) (8)	10/9/2019	28,300	28,011	1,698	
				64,412	31,166	3,865	0.41 %
York Risk Services Holding Corp.							
Business Services	Subordinated (3)	8.50%/S	10/1/2022	3,000	3,000	2,520	0.27 %
Ensemble S Merger Sub, Inc.							
Software	Subordinated (3)	9.00%/S	9/30/2023	2,000	1,939	2,135	0.23 %
Education Management Corporation (19)							
Education Management II LLC							
Education	First lien (2)	5.50% (L + 4.50%/Q)	7/2/2020	250	239	61	
	First lien (3)	5.50% (L + 4.50%/Q)	7/2/2020	141	136	35	
	First lien (2)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	467	416	22	
	First lien (3)	8.50% (L + 1.00% + 6.50% PIK/Q)*	7/2/2020	263	235	12	
				1,121	1,026	130	0.01 %
Total Funded Debt Investments - United States				**$ 1,339,099**	**$ 1,290,033**	**$ 1,261,394**	**134.41 %**
Total Funded Debt Investments				**$ 1,420,445**	**$ 1,369,904**	**$ 1,330,845**	**141.80 %**
Equity - United States							
Tenawa Resource Holdings LLC (13)							
QID NGL LLC							
Energy	Ordinary shares (7)	—	—	5,290,997	$ 5,291	$ 6,434	0.69 %
TWDiamondback Holdings Corp. (15)							
Distribution & Logistics	Preferred shares (4)	—	—	200	2,000	2,664	0.28 %
TW-NHME Holdings Corp. (20)							
Healthcare Services	Preferred shares (4)	—	—	100	1,000	1,497	
	Preferred shares (4)	—	—	16	158	236	
	Preferred shares (4)	—	—	6	68	91	
					1,226	1,824	0.19 %
Ancora Acquisition LLC							
Education	Preferred shares (6)	—	—	372	83	393	0.04 %

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

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation (19)							
Education	Preferred shares (2)	—	—	3,331	$ 200	$ 1	
	Preferred shares (3)	—	—	1,879	113	1	
	Ordinary shares (2)	—	—	2,994,065	100	18	
	Ordinary shares (3)	—	—	1,688,976	56	10	
					469	30	— %
Total Shares - United States					**$ 9,069**	**$ 11,345**	**1.20 %**
Warrants - United States							
YP Holdings LLC / Print Media Holdings LLC (12)							
YP Equity Investors LLC							
Media	Warrants (5)	—	5/8/2022	5	$ —	$ 2,966	0.32 %
IT'SUGAR LLC							
Retail	Warrants (3)	—	10/23/2025	94,672	817	549	0.06 %
ASP LCG Holdings, Inc.							
Education	Warrants (3)	—	5/5/2026	622	37	949	0.10 %
Ancora Acquisition LLC							
Education	Warrants (6)	—	8/12/2020	20	—	—	— %
Total Warrants - United States					**$ 854**	**$ 4,464**	**0.48 %**
Total Funded Investments					**$ 1,379,827**	**$ 1,346,654**	**143.48 %**
Unfunded Debt Investments - United States							
Mister Car Wash Holdings, Inc.							
Consumer Services	First lien (3)(11) - Undrawn	—	12/14/2017	$ 1,667	$ (13)	$ 8	— %
DCA Investment Holding, LLC							
Healthcare Services	First lien (3)(11) - Undrawn	—	7/2/2021	1,348	(13)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)							
Software	First lien (3)(11) - Undrawn	—	8/4/2021	1,000	(10)	—	— %
Valet Waste Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	9/24/2021	1,500	(19)	—	— %
VetCor Professional Practices LLC							
Consumer Services	First lien (3)(11) - Undrawn	—	4/20/2021	2,700	(27)	—	
	First lien (4)(11) - Undrawn	—	3/30/2018	127	(3)	—	
	First lien (2)(11) - Undrawn	—	6/22/2018	1,644	(33)	—	
				4,471	(63)	—	— %
Weston Solutions, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/31/2020	10,000	—	—	— %
Zywave, Inc.							
Software	First lien (3)(11) - Undrawn	—	11/17/2022	2,000	(15)	(15)	— %
Ansira Holdings, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	12/20/2018	3,818	(19)	(19)	— %
Marketo, Inc.							
Software	First lien (3)(11) - Undrawn	—	8/16/2021	1,788	(27)	(27)	— %

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ministry Brands, LLC							
Software	First lien (3)(11) - Undrawn	—	12/2/2022	$ 650	$ (3)	$ (3)	
	First lien (3)(11) - Undrawn	—	12/2/2017	5,169	(26)	(26)	
	Second lien (3)(11) - Undrawn	—	12/2/2017	2,160	(16)	(16)	
				7,979	(45)	(45)	(0.01)%
Total Unfunded Debt Investments - United States				**$ 35,571**	**(224)**	**$ (98)**	**(0.01)%**
Total Non-Controlled/Non-Affiliated Investments					**$ 1,379,603**	**$ 1,346,556**	**143.47 %**
Non-Controlled/Affiliated Investments(21)							
Funded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Education	Subordinated (3)	8.50% PIK/Q*	6/9/2020	$ 4,124	$ 4,118	$ 4,124	
	Subordinated (2)	10.00% PIK/Q*	6/9/2020	15,163	15,163	12,814	
	Subordinated (3)	10.00% PIK/Q*	6/9/2020	3,730	3,730	3,152	
				23,017	23,011	20,090	2.14 %
Permian Holdco 1, Inc. (10)							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)	14.00% PIK/Q*	10/15/2021	1,749	1,749	1,749	0.19 %
Total Funded Debt Investments - United States				**$ 24,766**	**$ 24,760**	**$ 21,839**	**2.33 %**
Equity - United States							
NMFC Senior Loan Program I LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 23,000	$ 23,000	2.45 %
Permian Holdco 1, Inc. (10)							
Energy	Preferred shares (3)(17)	—	—	1,394,237	5,866	7,668	
	Ordinary shares (3)	—	—	1,366,452	1,350	1,776	
					7,216	9,444	1.00 %
Edmentum Ultimate Holdings, LLC (16)							
Education	Ordinary shares (3)	—	—	123,968	11	1,693	
	Ordinary shares (2)	—	—	107,143	9	1,464	
					20	3,157	0.34 %
Total Shares - United States					**$ 30,236**	**$ 35,601**	**3.79 %**
Unfunded Debt Investments - United States							
Edmentum Ultimate Holdings, LLC (16)							
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)							
Education	Second lien (3)(11) - Undrawn	—	6/9/2020	$ 4,881	$ —	$ —	— %
Permian Holdco 1, Inc. (10)							
Permian Holdco 2, Inc.							
Energy	Subordinated (3)(11) - Undrawn	—	10/15/2021	1,025	—	—	— %
Total Unfunded Debt Investments - United States				**$ 5,906**	**$ —**	**$ —**	**— %**
Total Non-Controlled/Affiliated Investments					**$ 54,996**	**$ 57,440**	**6.12 %**

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

New Mountain Finance Corporation

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate(9)	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Controlled Investments(22)							
Funded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (2)	8.50% (L + 7.50%/Q)	1/13/2019	$ 10,846	$ 10,846	$ 11,063	
	First lien (2)	9.50% (L + 7.50% + 1.00% PIK/Q)*	1/13/2019	4,784	4,784	4,879	
	Subordinated (2)	15.00% PIK/Q*	7/13/2019	1,726	1,726	1,760	
	Subordinated (3)	15.00% PIK/Q*	7/13/2019	1,032	1,032	1,054	
				18,388	18,388	18,756	2.00 %
Total Funded Debt Investments - United States				**$ 18,388**	**$ 18,388**	**$ 18,756**	**2.00 %**
Equity - United States							
NMFC Senior Loan Program II LLC**							
Investment Fund	Membership interest (3)	—	—	—	$ 71,460	$ 71,460	7.61 %
UniTek Global Services, Inc.							
Business Services	Preferred shares (2)(18)	—	—	19,048,426	16,668	17,207	
	Preferred shares (3)(18)	—	—	5,264,079	4,606	4,755	
	Ordinary shares (2)	—	—	2,096,477	1,925	12,256	
	Ordinary shares (3)	—	—	579,366	532	3,387	
					23,731	37,605	4.01 %
New Mountain Net Lease Corporation							
Net Lease	Ordinary shares (3)	—	—	270,000	27,000	27,000	2.88 %
Total Shares - United States					**$ 122,191**	**$ 136,065**	**14.50 %**
Total Funded Investments					**$ 140,579**	**$ 154,821**	**16.50 %**
Unfunded Debt Investments - United States							
UniTek Global Services, Inc.							
Business Services	First lien (3)(11) - Undrawn	—	1/13/2019	$ 2,048	$ —	$ —	
	First lien (3)(11) - Undrawn	—	1/13/2019	758	—	—	
				2,806	—	—	— %
Total Unfunded Debt Investments - United States				**$ 2,806**	**$ —**	**$ —**	**— %**
Total Controlled Investments					**$ 140,579**	**$ 154,821**	**16.50 %**
Total Investments					**$ 1,575,178**	**$ 1,558,817**	**166.09 %**

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

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

(3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley 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.

New Mountain Finance Corporation

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

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

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

(10) The Company holds preferred and common equity in Permian Holdco 1, Inc., as well as subordinated notes in Permian Holdco 2, Inc., a wholly-owned subsidiary of Permian Holdco 1, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New Mountain Finance Corporation

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

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

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

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

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

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be " non-qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70.00% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2016, 9.9% of the Company's total assets were non-qualifying assets.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2016

Investment Type	December 31, 2016 Percent of Total Investments at Fair Value
First lien	44.[illegible]
Second lien	38.[illegible]
Subordinated	4.[illegible]
Equity and other	12.[illegible]
Total investments	100.[illegible]

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

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

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

Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

March 31, 2017
(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”). As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Since NMFC’s IPO, and through March 31, 2017, NMFC raised approximately $533,103 in net proceeds from additional offerings of its common stock.

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

The Company’s wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. (“NMF Holdings” or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings’ credit facility. NMF Ancora Holdings Inc. (“NMF Ancora”), NMF QID NGL Holdings, Inc. (“NMF QID”) and NMF YP Holdings Inc. (“NMF YP”), the Company's wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). The Company consolidates its tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies. Additionally, the Company has a wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. (“NMF Servicing”), that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. (“SBIC LP”) and its general partner, New Mountain Finance SBIC G.P., L.L.C. (“SBIC GP”), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC LP received a license from the 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”). 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.

The Company’s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. In some cases, the Company’s investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC LP’s investment objective is to generate current income and capital appreciation under the investment criteria used by the Company, however, SBIC LP’s investments must be in SBA eligible companies. The Company’s portfolio may be concentrated in a limited number of industries. As of March 31, 2017, the Company’s top five industry concentrations were business services, software, consumer services, investment fund and education.

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 LP, SBIC 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, 2017.

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:

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

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

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

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

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

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

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

New Mountain Net Lease Corporation

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

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

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of March 31, 2017
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	$ 7,345
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL	261	5,080
			Cleveland, OH		
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,152
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,043
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	7,510
					$ 27,130

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2017 and December 31, 2016, the Company held one collateralized agreement to resell with a cost basis of $30,000 and $30,000, respectively, and a carrying value of $28,418 and $29,218, respectively, and collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $28,418 and $29,218, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund with the most recently reported assets under management of approximately $690,000. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from the Company at the par value of the collateralized agreement once called upon by the Company or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement was called upon by the Company but the counterparty failed to repurchase the collateral at its par value in accordance with the terms of the collateralized agreement. As of March 31, 2017, litigation is ongoing in the state of New York and the Cayman Islands to resolve this matter. The collateralized agreement earned interest at a contractual weighted average rate of 16.0% and 16.0% per annum as of March 31, 2017 and December 31, 2016, respectively.

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

Revenue recognition

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

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

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

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management's 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 consist of capitalized expenses related to the origination and amending of the Company's borrowings. The Company amortizes these costs into expense over the stated life of the related borrowing. See Note 7. *Borrowings*, for details.

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

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

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

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

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

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

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

For the three months ended March 31, 2017, the Company recognized a total income tax benefit of approximately $675 for the Company’s consolidated subsidiaries. For the three months ended March 31, 2017, the Company recorded current income tax expense of approximately $80 and deferred income tax benefit of approximately $755. For the three months ended March 31, 2016, the Company recognized a total benefit for income taxes of approximately $683 for the Company’s consolidated subsidiaries. For the three months ended March 31, 2016, the Company recorded current income tax expense of approximately $41 and deferred income tax benefit of approximately $724.

As of March 31, 2017 and December 31, 2016, the Company had $279 and $1,034, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 (“ASC 740”). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold through December 31, 2016. The 2013 through 2016 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 adjusted net investment income (see Note 5. *Agreements*) on a quarterly basis and substantially all of its taxable income on an annual basis, except that the Company may retain certain net capital gains for reinvestment.

The Company has adopted a dividend reinvestment plan that provides 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 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 23, 2016, 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, 2017 or until $50,000 of its outstanding shares of common stock have been repurchased. During the three months ended March 31, 2017, the Company did not repurchase any shares of the Company's common stock. During the three months ended March 31, 2016, the Company repurchased a total of 124,950 shares of the Company's common stock in the open market for $1,433, including commissions paid.

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

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

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

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

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution.

Note 3. Investments

At March 31, 2017, the Company’s investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 757,347	$ 752,726
Second lien	687,952	659,117
Subordinated	74,814	76,063
Equity and other	276,938	298,989
Total investments	$ 1,797,051	$ 1,786,895

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	$ 593,357	$ 612,192
Software	459,929	458,442
Consumer Services	104,323	105,786
Investment Fund	102,400	102,400
Education	98,633	100,046
Healthcare Services	85,388	87,311
Energy	83,903	74,764
Federal Services	73,735	73,999
Distribution & Logistics	94,304	67,869
Net Lease	27,130	27,130
Media	18,604	21,370
Retail	21,106	21,196
Business Products	19,582	19,427
Healthcare Information Technology	14,657	14,963
Total investments	$ 1,797,051	$ 1,786,895

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

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	$ 706,140	$ 700,580
Second lien	638,347	604,203
Subordinated	68,341	66,559
Equity and other	162,350	187,475
Total investments	$ 1,575,178	$ 1,558,817

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	$ 446,008	$ 461,997
Software	424,965	420,896
Consumer Services	105,868	106,392
Investment Fund	94,460	94,460
Education	93,651	94,168
Energy	81,390	75,168
Healthcare Services	70,731	71,844
Distribution & Logistics	88,768	61,696
Federal Services	59,881	60,116
Net Lease	27,000	27,000
Business Products	25,613	24,958
Media	21,189	24,162
Retail	21,006	21,016
Healthcare Information Technology	14,648	14,944
Total investments	$ 1,575,178	$ 1,558,817

During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of March 31, 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 $16,465 and total unearned interest income of $491 for the three months then ended.

During the third quarter of 2016, the Company placed its entire second lien position in Transtar Holding Company (“Transtar”) on non-accrual status due to its ongoing restructuring. As of March 31, 2017, the Company's investment in Transtar had an aggregate cost basis of $31,166, an aggregate fair value of $3,621 and total unearned interest income of $1,809 for the three months then ended.

During the second quarter of 2016, the Company placed a portion of its first lien position in Permian Tank & Manufacturing, Inc. (“Permian”) on non-accrual status due to its ongoing restructuring. As of September 30, 2016, the Company’s investment in Permian had an aggregate cost basis of $24,444, an aggregate fair value of $7,064 and total unearned interest income of $1,273 for the nine months then ended. In October 2016, Permian completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company’s original investment in Permian. Prior to the extinguishment in October 2016, the Company’s original investment in Permian had an aggregate cost of $25,047, an aggregate fair value of $7,064 and total unearned interest income of $1,422 for the year ended December 31, 2016. The extinguishment resulted in a realized loss of $17,983. Post restructuring, the Company’s investments in Permian have been restored to full accrual status. As of March 31, 2017, the Company’s investments in Permian have an aggregate cost basis of$9,256 and an aggregate fair value of $11,346.

During the third quarter of 2016, the Company received notice that there would be no recovery of the outstanding principal and interest owed on its two super priority first lien positions in ATI Acquisition Company ("ATI"). As of June 30, 2016, the Company’s first lien positions in ATI had an aggregate cost of $1,528 and an aggregate fair value of $0 and no unearned interest income for the period then ended. The Company wrote off its first lien positions in ATI and recognized an aggregate realized loss of $1,528 during the three months ended September 30, 2016. As of March 31, 2017, the Company's preferred shares and warrants in Ancora Acquisition LLC, which were received as a result of the Company's first lien positions in ATI, had an aggregate cost basis of $83 and an aggregate fair value of $393.

As of March 31, 2017, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $25,103 and $0, respectively. As of March 31, 2017, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $11,010. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company’s Consolidated Schedule of Investments as of March 31, 2017.

As of December 31, 2016, the Company had unfunded commitments on revolving credit facilities and bridge facilities of $27,915 and $0, respectively. As of December 31, 2016, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of $16,368. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company’s Consolidated Schedule of Investments as of December 31, 2016.

NMFC Senior Loan Program I LLC

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

SLP I is capitalized with $93,000 of capital commitments and $275,000 of debt from a revolving credit facility and is managed by the Company. The Company’s capital commitment is $23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of March 31, 2017, SLP I had total investments with an aggregate fair value of approximately $351,337, debt outstanding of $249,117 and capital that had been called and funded of $93,000. As of December 31, 2016, SLP I had total investments with an aggregate fair value of approximately $348,672, debt outstanding of $256,517 and capital that had been called and funded of $93,000. The Company’s investment in SLP I is disclosed on the Company’s Consolidated Schedule of Investments as of March 31, 2017 and December 31, 2016.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2017 and March 31, 2016, the Company earned approximately $290 and $300, respectively, in management fees related to SLP I, which is included in other income. As of March 31, 2017 and December 31, 2016, approximately $576 and $286, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2017 and March 31, 2016, the Company earned approximately $1,004 and $920, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2017 and December 31, 2016, approximately $1,098 and $861, 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 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. The Company and SkyKnight have committed to provide $79,400 and $20,600 of equity to SLP II, respectively. As of March 31, 2017, the Company and SkyKnight have contributed $79,400 and $20,600, respectively. The Company’s investment in SLP II is disclosed on the Company’s Consolidated Schedule of Investments as of March 31, 2017 and December 31, 2016.

On April 12, 2016, SLP II closed its $275,000 revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. As of March 31, 2017 and December 31, 2016, SLP II had total investments with an aggregate fair value of approximately $363,710 and $361,719, respectively, and debt outstanding under its credit facility of $250,960 and $249,960, respectively.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
First lien:						
ADG, LLC	Healthcare Services	5.75% (L + 4.75%)	9/28/2023	$ 17,164	$ 17,002	$ 17,078
ADMI Corp.	Healthcare Services	4.80% (L + 3.75%)	4/29/2022	4,426	4,426	4,482
AssuredPartners, Inc.	Business Services	5.25% (L + 4.25%)	10/21/2022	14,970	14,956	15,108
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.15% (L + 5.00%)	8/21/2023	14,925	14,786	14,925
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	4,975	4,952	5,029
Cvent, Inc.	Software	6.00% (L + 5.00%)	11/29/2023	10,000	9,904	10,150
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,862	14,780	14,899
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.40% (L + 5.25%)	2/18/2022	14,962	14,814	14,999
Emerald 2 Limited	Business Services	5.15% (L + 4.00%)	5/14/2021	1,277	1,210	1,226
Engility Corporation (fka TASC, Inc.)	Federal Services	4.75% (L + 3.75%)	8/14/2023	3,373	3,357	3,396
Evo Payments International, LLC	Business Services	6.00% (L + 5.00%)	12/22/2023	17,500	17,415	17,705
Explorer Holdings, Inc.	Healthcare Services	6.03% (L + 5.00%)	5/2/2023	4,963	4,918	5,018
Globallogic Holdings Inc.	Business Services	5.65% (L + 4.50%)	6/20/2022	9,750	9,674	9,890
Greenway Health, LLC	Software	5.75% (L + 4.75%)	2/16/2024	15,000	14,926	15,122
Hyperion Insurance Group Limited	Business Services	5.50% (L + 4.50%)	4/29/2022	14,364	14,152	14,488
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	9,950	9,903	10,025
Kronos Incorporated	Software	5.03% (L + 4.00%)	11/1/2023	9,975	9,928	10,044
Masergy Holdings, Inc.	Business Services	5.50% (L + 4.50%)	12/15/2023	7,481	7,445	7,556
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,925	9,882	9,836
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	7,827	7,789	7,804
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	2,154	2,143	2,148
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	8,291	8,232	8,358
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	1,662	1,681	1,676
Navex Global, Inc.	Software	5.25% (L + 4.25%)	11/19/2021	14,894	14,690	14,950
nThrive, Inc. (fka Precyse Acquisition Corp.)	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,925	9,794	10,012
Poseidon Intermediate, LLC	Software	5.25% (L + 4.25%)	8/15/2022	13,478	13,478	13,641
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	9,975	9,834	10,128
Salient CRGT Inc.	Federal Services	6.75% (L + 5.75%)	2/28/2022	15,000	14,852	14,831
Severin Acquisition, LLC	Software	5.90% (L + 4.75%)	7/30/2021	15,000	14,927	14,925
SolarWinds Holdings, Inc.	Software	4.50% (L + 3.50%)	2/3/2023	14,963	14,971	14,997
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	6,048	6,037	6,154
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.40% (L + 5.25%)	7/6/2022	1,979	1,979	2,009
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.90% (L + 4.75%)	11/23/2019	10,772	10,753	10,944
Vision Solutions, Inc.	Software	7.64% (L + 6.50%)	6/16/2022	8,725	8,647	8,763
Vivid Seats LLC	Business Services	6.75% (L + 5.75%)	10/12/2022	4,000	3,925	4,025
Zywave, Inc.	Software	6.15% (L + 5.00%)	11/17/2022	17,456	17,373	17,369
				$ 361,991	**$ 359,535**	**$ 363,710**

(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 March 31, 2017.

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

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

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

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2016.

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

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

Selected Balance Sheet Information:		**March 31, 2017**		**December 31, 2016**
Investments at fair value (cost of $359,535 and $357,438, respectively)	$	363,710	$	361,719
Receivable from unsettled securities sold		1,876		1,007
Cash and other assets		6,440		10,138
Total assets	$	372,026	$	372,864
Credit facility	$	250,960	$	249,960
Deferred financing costs		(2,418)		(2,565)
Payable for unsettled securities purchased		11,165		24,862
Distribution payable		4,325		3,000
Other liabilities		3,684		3,350
Total liabilities		267,716		278,607
Members' capital	$	104,310	$	94,257
Total liabilities and members' capital	$	372,026	$	372,864

	Three Months Ended			
Selected Statement of Operations Information:		**March 31, 2017**		**March 31, 2016(1)**
Interest income	$	5,173	$	—
Other income		214		—
Total investment income		5,387		—
Interest and other financing expenses		1,849		—
Other expenses		162		—
Total expenses		2,011		—
Net investment income		3,376		—
Net realized gains on investments		1,108		—
Net change in unrealized (depreciation) appreciation of investments		(106)		—
Net increase in members' capital	$	4,378	$	—

(1) SLP II commenced operations on April 12, 2016.

For the three months ended March 31, 2017, the Company earned approximately $3,434 of dividend income related to SLP II, which is included in dividend income. As of March 31, 2017 and December 31, 2016, approximately $3,434 and $2,382, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

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 March 31, 2017, the Company did not have any significant unconsolidated subsidiaries under Regulation S-X Rule 10-01(b)(1).

Investment risk factors

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

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

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

Note 4. Fair Value

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 March 31, 2017:

	Total	Level I	Level II	Level III
First lien	$ 752,726	$ —	$ 225,758	$ 526,968
Second lien	659,117	—	311,598	347,519
Subordinated	76,063	—	50,460	25,603
Equity and other	298,989	38	2	298,949
Total investments	$ 1,786,895	$ 38	$ 587,818	$ 1,199,039

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2016:

	Total	Level I	Level II	Level III
First lien	$ 700,580	$ —	$ 169,979	$ 530,601
Second lien	604,203	—	280,026	324,177
Subordinated	66,559	—	41,906	24,653
Equity and other	187,475	28	—	187,447
Total investments	$ 1,558,817	$ 28	$ 491,911	$ 1,066,878

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at March 31, 2017:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2016	$ 1,066,878	$ 530,601	$ 324,177	$ 24,653	$ 187,447
Total gains or losses included in earnings:					
Net realized gains on investments	311	19	292	—	—
Net change in unrealized (depreciation) appreciation	(964)	139	1,770	211	(3,084)
Purchases, including capitalized PIK and revolver fundings	196,404	37,058	44,020	739	114,587
Proceeds from sales and paydowns of investments	(50,061)	(34,425)	(15,636)	—	—
Transfers into Level III(1)	44,352	19,608	24,744	—	—
Transfers out of Level III(1)	(57,881)	(26,032)	(31,848)	—	(1)
Fair Value, March 31, 2017	$ 1,199,039	$ 526,968	$ 347,519	$ 25,603	$ 298,949
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	$ (744)	$ 359	$ 1,770	$ 211	$ (3,084)

(1) As of March 31, 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.

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

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

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

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three months ended March 31, 2017 and March 31, 2016. Transfers into Level III occur as quotations obtained through pricing services are not deemed representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

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

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

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 March 31, 2017 and December 31, 2016, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2017 and December 31, 2016, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

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

				Range		
Type	**Fair Value as of March 31, 2017**	**Approach**	**Unobservable Input**	**Low**	**High**	**Weighted Average**
First lien	$ 421,182	Market & income approach	EBITDA multiple	2.0x	16.0x	10.0x
			Revenue multiple	0.5x	8.0x	3.1x
			Discount rate	6.8%	15.0%	10.0%
	97,185	Market quote	Broker quote	N/A	N/A	N/A
	8,601	Other	N/A(1)	N/A	N/A	N/A
Second lien	230,258	Market & income approach	EBITDA multiple	7.0x	17.0x	12.0x
			Revenue multiple	5.3x	6.2x	5.8x
			Discount rate	8.3%	12.8%	11.0%
	84,395	Market quote	Broker quote	N/A	N/A	N/A
	32,866	Other	N/A(1)	N/A	N/A	N/A
Subordinated	25,603	Market & income approach	EBITDA multiple	4.0x	8.5x	7.3x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.3%	15.1%	13.2%
Equity and other	165,180	Market & income approach	EBITDA multiple	2.5x	13.0x	5.9x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.0%	18.5%	14.7%
	1,484	Black Scholes analysis	Expected life in years	8.6	9.0	8.9
			Volatility	43.3%	58.3%	54.8%
			Discount rate	2.6%	2.6%	2.6%
	132,285	Other	N/A(1)	N/A	N/A	N/A
	$ 1,199,039					

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

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

Type	Fair Value as of December 31, 2016	Approach	Unobservable Input	Range Low	Range High	Weighted Average
First lien	$ 417,464	Market & income approach	EBITDA multiple	2.0x	15.0x	10.2x
			Revenue multiple	0.5x	8.0x	3.0x
			Discount rate	7.2%	12.3%	9.7%
	86,801	Market quote	Broker quote	N/A	N/A	N/A
	26,336	Other	N/A(1)	N/A	N/A	N/A
Second lien	191,419	Market & income approach	EBITDA multiple	5.3x	16.0x	11.7x
			Discount rate	8.7%	13.0%	11.3%
	96,315	Market quote	Broker quote	N/A	N/A	N/A
	36,443	Other	N/A(1)	N/A	N/A	N/A
Subordinated	24,653	Market & income approach	EBITDA multiple	4.5x	8.5x	7.1x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.7%	15.8%	13.6%
Equity and other	158,947	Market & income approach	EBITDA multiple	2.5x	13.0x	5.9x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.0%	18.9%	14.5%
	1,498	Black Scholes analysis	Expected life in years	8.8	9.3	9.1
			Volatility	32.2%	43.8%	36.4%
			Discount rate	2.5%	2.5%	2.5%
	2	Market quote	Broker quote	N/A	N/A	N/A
	27,000	Other	N/A(1)	N/A	N/A	N/A
	$ 1,066,878					

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

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the NMFC Credit Facility (as defined in Note 7. *Borrowings*) are representative of market. The carrying values of the Holdings Credit Facility and NMFC Credit Facility approximate fair value as of March 31, 2017, as the facilities are continually monitored and examined by both the borrower and the lender. The carrying value of the SBA-guaranteed debentures and Unsecured Notes (as defined in Note 7. *Borrowings*) approximate fair value as of March 31, 2017 based on a comparison of market interest rates for the Company’s borrowings and similar entities. The fair value of the Holdings Credit Facility, NMFC Credit Facility, SBA-guaranteed debentures and Unsecured Notes are considered Level III. The fair value of the Convertible Notes (as defined in Note 7. *Borrowings*) as of March 31, 2017 was $160,102, which was based on quoted prices and considered Level II. See Note 7. *Borrowings*, for details. The carrying value of the collateralized agreement approximates fair value as of March 31, 2017 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

Fair value risk factors—The Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company’s portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Company’s investments and/or on the fair value of the Company’s investments. The Company’s investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Company and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic 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 8, 2017. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company’s gross assets, which equals the Company’s total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility (as defined 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 an 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 into the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. *Borrowings*). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of March 31, 2017 and March 31, 2016 approximated $322,346 and $297,871, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended March 31, 2017 and March 31, 2016, management fees waived were approximately $1,356 and $1,319, respectively.

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

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

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

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

For the three months ended March 31, 2017 and March 31, 2016, incentive fees waived were approximately $1,800 and $0, 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 Adjusted Realized Capital Gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all Adjusted Realized Capital Losses and Adjusted Unrealized Capital Depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

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

The following table summarizes the management fees and incentive fees incurred by the Company for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Management fee	$ 7,614	$ 6,836
Less: management fee waiver	(1,356)	(1,319)
Total management fee	6,258	5,517
Incentive fee, excluding accrued capital gains incentive fees	$ 5,408	$ 5,385
Less: incentive fee waiver	(1,800)	—
Total incentive fee	3,608	5,385
Accrued capital gains incentive fees(1)	$ —	$ —

(1) As of March 31, 2017 and March 31, 2016, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net Adjusted Realized Capital Gains did not exceed cumulative Adjusted Unrealized Capital Depreciation.

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

The following Consolidated Statement of Operations for the three months ended March 31, 2017 is adjusted to reflect this step-up to fair market value.

	Three Months Ended March 31, 2017	Stepped-up Cost Basis Adjustments	Adjusted Three Months Ended March 31, 2017
Investment income			
Interest income(1)	$ 33,998	$ — (7)	$ 33,998
Dividend income(2)	6,733	—	6,733
Other income	2,576	—	2,576
Total investment income(3)	43,307	—	43,307
Total expenses pre-incentive fee(4)	16,268	—	16,268
Pre-Incentive Fee Net Investment Income	27,039	—	27,039
Incentive fee(5)	3,608	—	3,608
Post-Incentive Fee Net Investment Income	23,431	—	23,431
Net realized gains on investments(6)	826	—	826
Net change in unrealized appreciation (depreciation) of investments(6)	6,205	— (7)	6,205
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(800)	—	(800)
Benefit for taxes	755	—	755
Net increase in net assets resulting from operations	$ 30,417		$ 30,417

(1) Includes $868 in PIK interest from investments.

(2) Includes $1,477 in PIK and non-cash dividends from investments.

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

(4) Includes expense waivers and reimbursements of $470 and management fee waivers of $1,356.

(5) For the three months ended March 31, 2017, the Company incurred total incentive fees of $3,608, net of the incentive fee waiver of $1,800, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

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

(7) For the three months ended March 31, 2017, the adjustment was less than $1.

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

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

(1) Includes $953 in PIK interest from investments.
(2) Includes $719 in PIK dividends from investments.
(3) Includes income from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.
(4) Includes expense waivers and reimbursements of $284 and management fee waivers of $1,319.
(5) For the three months ended March 31, 2016, the Company incurred total incentive fees of $5,385, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.
(6) Includes net realized gains and losses on investments and net change in unrealized appreciation (depreciation) of investments from non-controlled/non-affiliated investments, non-controlled/affiliated investments and controlled investments.

The Company has entered into an Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator performs, or oversees the performance of, the Company’s consolidated financial records, prepares reports filed with the Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company’s expenses and watches the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company’s allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2017 and March 31, 2016, approximately $412 and $568, respectively, of indirect administrative expenses were included in administrative expenses of which $412 and $284, respectively, of indirect administrative expenses were waived by the Administrator. As of March 31, 2017 and December 31, 2016, no 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 an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company’s chief financial officer and chief compliance officer and their respective staffs.

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

The Company has adopted a formal code of ethics that governs the conduct of 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 and 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 September 12, 2016, the Company filed an exemptive application with the SEC to permit the Company to co-invest with 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. Any such order, if granted by the SEC, will be subject to certain terms and conditions. Furthermore, there is no assurance when, or if, this application for exemptive relief will be granted by the SEC.

Note 7. Borrowings

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

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

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

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

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Interest expense	$ 2,709	$ 2,643
Non-usage fee	$ 184	$ 125
Amortization of financing costs	$ 397	$ 402
Weighted average interest rate	3.1%	2.6%
Effective interest rate	3.9%	3.2%
Average debt outstanding	$ 346,033	$ 394,710

As of March 31, 2017 and December 31, 2016, the outstanding balance on the Holdings Credit Facility was $376,913 and $333,513, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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

As of March 31, 2017, the maximum amount of revolving borrowings available under the NMFC Credit Facility was $122,500. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company’s Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

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

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
Interest expense	$ 290	$ 686
Non-usage fee	$ 82	$ 3
Amortization of financing costs	$ 96	$ 89
Weighted average interest rate	3.3%	2.9%
Effective interest rate	5.5%	3.4%
Average debt outstanding	$ 34,661	$ 92,830

As of March 31, 2017 and December 31, 2016, the outstanding balance on the NMFC Credit Facility was $122,500 and $10,000, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

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

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

The following table summarizes certain key terms related to the convertible features of the Company’s Convertible Notes as of March 31, 2017.

		March 31, 2017
Initial conversion premium		12.5%
Initial conversion rate(1)		62.7746
Initial conversion price	$	15.93
Conversion premium at March 31, 2017		11.7%
Conversion rate at March 31, 2017(1)(2)		63.2794
Conversion price at March 31, 2017(2)(3)	$	15.80
Last conversion price calculation date		June 3, 2016

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

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

(3) The conversion price in effect at March 31, 2017 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

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

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

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

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

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
	March 31, 2017	March 31, 2016
Interest expense	$ 1,941	$ 1,438
Amortization of financing costs	$ 293	$ 185
Amortization of premium	$ (27)	$ —
Effective interest rate	5.8%	5.7%
Average debt outstanding	$ 155,250	$ 115,000

As of March 31, 2017 and December 31, 2016, the outstanding balance on the Convertible Notes was $155,250 and $155,250, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.

Unsecured Notes—On May 6, 2016, the Company issued $50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “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 Unsecured Notes to institutional investors in a private placement. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with the Company’s other unsecured indebtedness, including the Company’s Convertible Notes.

The 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. This interest rate is subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or the Company cease to have an investment grade rating or (ii) the aggregate amount of the Company’s unsecured debt falls below $150,000. In each such event, the Company has the option to offer to prepay the Unsecured Notes at par, in which case holders of the Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company’s investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
	March 31, 2017	March 31, 2016(1)
Interest expense	$ 1,195	$ —
Amortization of financing costs	$ 101	$ —
Effective interest rate	5.8%	—%
Average debt outstanding	$ 90,000	$ —

(1) Not applicable, as the Unsecured Notes were issued on May 6, 2016.

As of March 31, 2017, the outstanding balance on the Unsecured Notes was $90,000 and the Company was in compliance with the terms of the NPA.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is $150,000 as long as the licensee has at least $75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of March 31, 2017 and December 31, 2016, SBIC LP had regulatory capital of approximately $75,000 and $75,000, respectively, and SBA-guaranteed debentures outstanding of $121,745 and $121,745, respectively. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of March 31, 2017.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
Fixed SBA-guaranteed debentures:				
March 25, 2015	March 1, 2025	$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
September 21, 2016	September 1, 2026	4,000	2.051%	0.742%
Total SBA-guaranteed debentures		**$ 121,745**		

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

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Interest expense	$ 953	$ 883
Amortization of financing costs	$ 101	$ 98
Weighted average interest rate	3.2%	3.0%
Effective interest rate	3.5%	3.4%
Average debt outstanding	$ 121,745	$ 117,745

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

Leverage risk factors—The Company utilizes and may utilize leverage to the maximum extent permitted by the law for investment and other general business purposes. The Company's lenders will have fixed dollar claims on certain assets that are superior to the claims of the Company's common stockholders, and the Company would expect such lenders to seek recovery against these assets in the event of a default. The use of leverage also magnifies the potential for gain or loss on amounts invested. Leverage may magnify interest rate risk (particularly on the Company's fixed-rate investments), which is the risk that the prices of portfolio investments will fall or rise if market interest rates for those types of securities rise or fall. As a result, leverage may cause greater changes in the Company's net asset value. Similarly, leverage may cause a sharper decline in the Company's income than if the Company had not borrowed. Such a decline could negatively affect the Company's ability to make distributions to its stockholders. Leverage is generally considered a speculative investment technique. The Company's ability to service any debt incurred will depend largely on financial performance and will be subject to prevailing economic conditions and competitive pressures.

Note 8. Regulation

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

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

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of March 31, 2017, the Company had unfunded commitments on revolving credit facilities of $25,103, no outstanding bridge financing commitments and other future funding commitments of $11,010. As of December 31, 2016, the Company had unfunded commitments on revolving credit facilities of $27,915, no outstanding bridge financing commitments and other future funding commitments of $16,368. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's respective Consolidated Schedule of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility and the NMFC Credit Facility as of March 31, 2017 and December 31, 2016. See Note 7. *Borrowings*, for details.

The Company may from time to time enter into financing commitment letters. As of March 31, 2017 and December 31, 2016, the Company had commitment letters to purchase investments in the aggregate par amount of $0 and $14,818, respectively, which could require funding in the future.

As of March 31, 2017 and December 31, 2016, the Company had unfunded commitments related to an equity investment in SLP II of $0 and $7,940, respectively, which 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		Treasury Stock	Paid in Capital in	Accumulated Undistributed Net Investment	Accumulated Undistributed Net Realized	Net Unrealized (Depreciation)	Total
	Shares	Par Amount	at Cost	Excess of Par	Income	(Losses) Gains	Appreciation	Net Assets
Balance at December 31, 2016	69,717,814	$ 698	$ (460)	$ 1,001,862	$ 2,073	$ (36,947)	$ (28,664)	$ 938,562
Issuances of common stock	66,306	—	—	988	—	—	—	988
Reissuance of common stock	37,573	—	460	100	—	—	—	560
Other	—	—	—	(81)	—	—	—	(81)
Distributions declared	—	—	—	—	(23,704)	—	—	(23,704)
Net increase (decrease) in net assets resulting from operations	—	—	—	—	23,431	826	6,160	30,417
Balance at March 31, 2017	69,821,693	$ 698	$ —	$ 1,002,869	$ 1,800	$ (36,121)	$ (22,504)	$ 946,742

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the three months ended March 31, 2017 and March 31, 2016:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Earnings per share—basic		
Numerator for basic earnings per share:	$ 30,417	$ 8,051
Denominator for basic weighted average share:	69,718,968	63,934,151
Basic earnings per share:	$ 0.44	$ 0.13
Earnings per share—diluted(1)		
Numerator for increase in net assets per share	$ 30,417	$ 8,051
Adjustment for interest on Convertible Notes and incentive fees, net	1,553	1,150
Numerator for diluted earnings per share:	$ 31,970	$ 9,201
Denominator for basic weighted average share	69,718,968	63,934,151
Adjustment for dilutive effect of Convertible Notes	9,824,127	7,277,131
Denominator for diluted weighted average share	79,543,095	71,211,282
Diluted earnings per share	$ 0.40	$ 0.13

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive.

Note 12. Financial Highlights

The following information sets forth the Company's financial highlights for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
	March 31, 2017	March 31, 2016
Per share data(1):		
Net asset value, January 1, 2017 and January 1, 2016, respectively	$ 13.46	$ 13.08
Net investment income	0.34	0.34
Net realized and unrealized gains (losses)	0.10	(0.21)
Total net increase	0.44	0.13
Distributions declared to stockholders from net investment income	(0.34)	(0.34)
Net asset value, March 31, 2017 and March 31, 2016, respectively	$ 13.56	$ 12.87
Per share market value, March 31, 2017 and March 31, 2016, respectively	$ 14.90	$ 12.64
Total return based on market value(2)	8.09%	(0.31)%
Total return based on net asset value(3)	3.25%	0.99 %
Shares outstanding at end of period	69,821,693	63,880,437
Average weighted shares outstanding for the period	69,718,968	63,934,151
Average net assets for the period	$ 946,651	$ 822,010
Ratio to average net assets:		
Net investment income	10.04%	10.55 %
Total expenses, before waivers/reimbursements	10.07%	10.28 %
Total expenses, net of waivers/reimbursements	8.52%	9.50 %
Average debt outstanding—Holdings Credit Facility	$ 346,033	$ 394,710
Average debt outstanding—Convertible Notes	155,250	115,000
Average debt outstanding—SBA-guaranteed debentures	121,745	117,745
Average debt outstanding—Unsecured Notes	90,000	—
Average debt outstanding—NMFC Credit Facility	34,661	92,830
Asset coverage ratio(4)	227.10%	234.95 %
Portfolio turnover	7.50%	1.85 %

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

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

(4) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirement to exclude the SBA-guaranteed debentures from this calculation.

Note 13. Recent Accounting Standards Updates

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

Note 14. Subsequent Events

On April 7, 2017, the Company completed a public offering of 5,000,000 shares of its common stock at a public offering price of $14.60 per share. On April 13, 2017, in connection with the public offering, the underwriters completed a purchase of an additional 750,000 shares of the Company's common stock with the exercise of the overallotment option to purchase up to an additional 750,000 shares of the Company's common stock. The Company received total net proceeds of $81,478 in connection with the offering.

On May 4, 2017, the Company's board of directors declared a second quarter 2017 distribution of $0.34 per share payable on June 30, 2017 to holders of record as of June 16, 2017.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedule of investments, as of March 31, 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the three-month periods ended March 31, 2017 and 2016. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries as of December 31, 2016, 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, 2017, 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, 2016, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

May 8, 2017

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

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

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

Forward-Looking Statements

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

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates); and
- the risk factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2016.

Forward-looking statements are identified by their use of such terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or similar expressions. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2016.

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

Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through March 31, 2017, we raised approximately $533.1 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 and with assets under management of approximately $15.0 billion(1), which includes total assets held by us. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

Our wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company"), is a Delaware limited liability company whose assets are used to secure NMF Holdings' credit facility. NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), our wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). We consolidate our tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. ("SBIC LP") and its general partner, New Mountain Finance SBIC G.P., L.L.C. ("SBIC GP"), were organized in Delaware as a limited partnership and limited liability company, respectively. SBIC LP and SBIC GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC LP received a license from the 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"). 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. 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 LP's investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC LP's investments must be in SBA eligible companies. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2017, our top five industry concentrations were business services, software, consumer services, investment fund and education.

As of March 31, 2017, our net asset value was $946.7 million and our portfolio had a fair value of approximately $1,786.9 million in 77 portfolio companies, with a weighted average Yield to Maturity at Cost ("Yield to Maturity at Cost") of approximately 11.1%. This Yield to Maturity at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. This calculation excludes the impact of existing leverage. Yield to Maturity at Cost uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

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(1) Includes amounts committed, not all of which have been drawn down and invested to-date, as of March 31, 2017, as well as amounts called and returned since inception.

Recent Developments

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

On May 4, 2017, our board of directors declared a second quarter 2017 distribution of $0.34 per share payable on June 30, 2017 to holders of record as of June 16, 2017.

Critical Accounting Policies

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

Basis of Accounting

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

Valuation and Leveling of Portfolio Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. 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 March 31, 2017:

(in thousands)	Total	Level I	Level II	Level III
First lien	$ 752,726	$ —	$ 225,758	$ 526,968
Second lien	659,117	—	311,598	347,519
Subordinated	76,063	—	50,460	25,603
Equity and other	298,989	38	2	298,949
Total investments	$ 1,786,895	$ 38	$ 587,818	$ 1,199,039

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

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

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

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

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

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

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

(in thousands)				Range		
Type	Fair Value as of March 31, 2017	Approach	Unobservable Input	Low	High	Weighted Average
First lien	$ 421,182	Market & income approach	EBITDA multiple	2.0x	16.0x	10.0x
			Revenue multiple	0.5x	8.0x	3.1x
			Discount rate	6.8%	15.0%	10.0%
	97,185	Market quote	Broker quote	N/A	N/A	N/A
	8,601	Other	N/A(1)	N/A	N/A	N/A
Second lien	230,258	Market & income approach	EBITDA multiple	7.0x	17.0x	12.0x
			Revenue multiple	5.3x	6.2x	5.8x
			Discount rate	8.3%	12.8%	11.0%
	84,395	Market quote	Broker quote	N/A	N/A	N/A
	32,866	Other	N/A(1)	N/A	N/A	N/A
Subordinated	25,603	Market & income approach	EBITDA multiple	4.0x	8.5x	7.3x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.3%	15.1%	13.2%
Equity and other	165,180	Market & income approach	EBITDA multiple	2.5x	13.0x	5.9x
			Revenue multiple	0.5x	1.0x	0.8x
			Discount rate	8.0%	18.5%	14.7%
	1,484	Black Scholes analysis	Expected life in years	8.6	9.0	8.9
			Volatility	43.3%	58.3%	54.8%
			Discount rate	2.6%	2.6%	2.6%
	132,285	Other	N/A(1)	N/A	N/A	N/A
	$ 1,199,039					

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

NMFC Senior Loan Program I LLC

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

SLP I is capitalized with $93.0 million of capital commitments and $275.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is $23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitment. As of March 31, 2017, SLP I had total investments with an aggregate fair value of approximately $351.3 million, debt outstanding of $249.1 million and capital that had been called and funded of $93.0 million. As of December 31, 2016, SLP I had total investments with an aggregate fair value of approximately $348.7 million, debt outstanding of $256.5 million and capital that had been called and funded of $93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of March 31, 2017 and December 31, 2016.

We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2017 and March 31, 2016, we earned approximately $0.3 million and $0.3 million, respectively, in management fees related to SLP I, which is included in other income. As of March 31, 2017 and December 31, 2016, approximately $0.6 million and $0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2017 and March 31, 2016, we earned approximately $1.0 million and $0.9 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2017 and December 31, 2016, approximately $1.1 million and $0.9 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

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

SLP II is capitalized with equity contributions which 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. We and SkyKnight have committed to provide $79.4 million and $20.6 million of equity to SLP II, respectively. As of March 31, 2017, we and SkyKnight have contributed $79.4 million and $20.6 million, respectively. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of March 31, 2017 and December 31, 2016.

On April 12, 2016, SLP II closed its $275.0 million revolving credit facility with Wells Fargo Bank, National Association which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. As of March 31, 2017 and December 31, 2016, SLP II had total investments with an aggregate fair value of approximately $363.7 million and $361.7 million, respectively, and debt outstanding under its credit facility of $251.0 million and $250.0 million, respectively.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
First lien:				(in thousands)	(in thousands)	(in thousands)
ADG, LLC	Healthcare Services	5.75% (L + 4.75%)	9/28/2023	$ 17,164	$ 17,002	$ 17,078
ADMI Corp.	Healthcare Services	4.80% (L + 3.75%)	4/29/2022	4,426	4,426	4,482
AssuredPartners, Inc.	Business Services	5.25% (L + 4.25%)	10/21/2022	14,970	14,956	15,108
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.15% (L + 5.00%)	8/21/2023	14,925	14,786	14,925
Coinstar, LLC	Consumer Services	5.25% (L + 4.25%)	9/27/2023	4,975	4,952	5,029
Cvent, Inc.	Software	6.00% (L + 5.00%)	11/29/2023	10,000	9,904	10,150
DigiCert Holdings, Inc.	Software	6.00% (L + 5.00%)	10/21/2021	14,862	14,780	14,899
Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)	Software	6.40% (L + 5.25%)	2/18/2022	14,962	14,814	14,999
Emerald 2 Limited	Business Services	5.15% (L + 4.00%)	5/14/2021	1,277	1,210	1,226
Engility Corporation (fka TASC, Inc.)	Federal Services	4.75% (L + 3.75%)	8/14/2023	3,373	3,357	3,396
Evo Payments International, LLC	Business Services	6.00% (L + 5.00%)	12/22/2023	17,500	17,415	17,705
Explorer Holdings, Inc.	Healthcare Services	6.03% (L + 5.00%)	5/2/2023	4,963	4,918	5,018
Globallogic Holdings Inc.	Business Services	5.65% (L + 4.50%)	6/20/2022	9,750	9,674	9,890
Greenway Health, LLC	Software	5.75% (L + 4.75%)	2/16/2024	15,000	14,926	15,122
Hyperion Insurance Group Limited	Business Services	5.50% (L + 4.50%)	4/29/2022	14,364	14,152	14,488
J.D. Power and Associates	Business Services	5.25% (L + 4.25%)	9/7/2023	9,950	9,903	10,025
Kronos Incorporated	Software	5.03% (L + 4.00%)	11/1/2023	9,975	9,928	10,044
Masergy Holdings, Inc.	Business Services	5.50% (L + 4.50%)	12/15/2023	7,481	7,445	7,556
McGraw-Hill Global Education Holdings, LLC	Education	5.00% (L + 4.00%)	5/4/2022	9,925	9,882	9,836
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	7,827	7,789	7,804
Ministry Brands, LLC	Software	6.00% (L + 5.00%)	12/2/2022	2,154	2,143	2,148
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	8,291	8,232	8,358
Mister Car Wash Holdings, Inc.	Consumer Services	5.25% (L + 4.25%)	8/20/2021	1,662	1,681	1,676
Navex Global, Inc.	Software	5.25% (L + 4.25%)	11/19/2021	14,894	14,690	14,950
nThrive, Inc. (fka Precyse Acquisition Corp.)	Healthcare Services	6.50% (L + 5.50%)	10/20/2022	9,925	9,794	10,012
Poseidon Intermediate, LLC	Software	5.25% (L + 4.25%)	8/15/2022	13,478	13,478	13,641
Quest Software US Holdings Inc.	Software	7.00% (L + 6.00%)	10/31/2022	9,975	9,834	10,128
Salient CRGT Inc.	Federal Services	6.75% (L + 5.75%)	2/28/2022	15,000	14,852	14,831
Severin Acquisition, LLC	Software	5.90% (L + 4.75%)	7/30/2021	15,000	14,927	14,925
SolarWinds Holdings, Inc.	Software	4.50% (L + 3.50%)	2/3/2023	14,963	14,971	14,997
TTM Technologies, Inc.	Business Products	5.25% (L + 4.25%)	5/31/2021	6,048	6,037	6,154
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	6.40% (L + 5.25%)	7/6/2022	1,979	1,979	2,009
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	5.90% (L + 4.75%)	11/23/2019	10,772	10,753	10,944
Vision Solutions, Inc.	Software	7.64% (L + 6.50%)	6/16/2022	8,725	8,647	8,763
Vivid Seats LLC	Business Services	6.75% (L + 5.75%)	10/12/2022	4,000	3,925	4,025
Zywave, Inc.	Software	6.15% (L + 5.00%)	11/17/2022	17,456	17,373	17,369
				$ 361,991	**$ 359,535**	**$ 363,710**

(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 March 31, 2017.

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

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

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

(1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2016.

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

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

Selected Balance Sheet Information:	**March 31, 2017**	**December 31, 2016**
	(in thousands)	(in thousands)
Investments at fair value (cost of $359,535 and $357,438, respectively)	$ 363,710	$ 361,719
Receivable from unsettled securities sold	1,876	1,007
Cash and other assets	6,440	10,138
Total assets	$ 372,026	$ 372,864
Credit facility	$ 250,960	$ 249,960
Deferred financing costs	(2,418)	(2,565)
Payable for unsettled securities purchased	11,165	24,862
Distribution payable	4,325	3,000
Other liabilities	3,684	3,350
Total liabilities	267,716	278,607
Members' capital	$ 104,310	$ 94,257
Total liabilities and members' capital	$ 372,026	$ 372,864

	Three Months Ended	
Selected Statement of Operations Information:	**March 31, 2017**	**March 31, 2016(1)**
	(in thousands)	(in thousands)
Interest income	$ 5,173	$ —
Other income	214	—
Total investment income	5,387	—
Interest and other financing expenses	1,849	—
Other expenses	162	—
Total expenses	2,011	—
Net investment income	3,376	—
Net realized gains on investments	1,108	—
Net change in unrealized (depreciation) appreciation of investments	(106)	—
Net increase in members' capital	$ 4,378	$ —

(1) SLP II commenced operations on April 12, 2016.

For the three months ended March 31, 2017, we earned approximately $3.4 million of dividend income related to SLP II, which is included in dividend income. As of March 31, 2017 and December 31, 2016, approximately $3.4 million and $2.4 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

New Mountain Net Lease Corporation

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

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

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of March 31, 2017
				(in thousands)	(in thousands)
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	$ 7,345
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL	261	5,080
			Cleveland, OH		
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,152
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,043
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	7,510
					$ 27,130

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, *Transfers and Servicing—Secured Borrowing and Collateral*, ("ASC 860") when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2017 and December 31, 2016, we held one collateralized agreement to resell with a cost basis of $30.0 million and $30.0 million, respectively, and a carrying value of $28.4 million and $29.2 million, respectively, and collateralized by a second lien bond in Northstar GOM Holdings Group LLC with a fair value of $28.4 million and $29.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund with the most recently reported assets under management of approximately $690.0 million. Pursuant to the terms of the collateralized agreement, the private hedge fund is obligated to repurchase the collateral from us at the par value of the collateralized agreement once called upon by us or if the private hedge fund's total assets under management fall below the agreed upon thresholds. The collateralized agreement was called upon by us but the counterparty failed to repurchase the collateral at its par value in accordance with the terms of the collateralized agreement. As of March 31, 2017, litigation is on-going in the state of New York and the Cayman Islands to resolve this matter. The collateralized agreement earned interest at a contractual weighted average rate of 16.0% and 16.0% per annum as of March 31, 2017 and December 31, 2016, respectively.

Revenue Recognition

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

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

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

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

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

Monitoring of Portfolio Investments

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

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

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

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

(in millions)	As of March 31, 2017			
Investment Rating	**Par Value(1)**	**Percent**	**Fair Value**	**Percent**
Investment Rating 1	$ 172.5	10.7%	$ 173.2	9.7%
Investment Rating 2	1,305.4	81.3%	1,566.3	87.7%
Investment Rating 3	37.5	2.3%	26.9	1.5%
Investment Rating 4	92.1	5.7%	20.5	1.1%
	$ 1,607.5	100.0%	$ 1,786.9	100.0%

(1) Excludes shares and warrants.

As of March 31, 2017, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of four portfolio companies. As of March 31, 2017, one portfolio companies had an Investment Rating of 3 and three portfolio companies had an Investment Rating of 4.

During the first quarter of 2017, we placed our entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of March 31, 2017, our investment in Sierra placed on non-accrual status represented an aggregate cost basis of $27.2 million, an aggregate fair value of $16.5 million and total unearned interest income of $0.5 million for the three months then ended.

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

During the second quarter of 2016, we placed a portion of our first lien position in Permian Tank & Manufacturing, Inc. (“Permian”) on non-accrual status due to its ongoing restructuring. As of September 30, 2016, our investment in Permian had an aggregate cost basis of $24.4 million, an aggregate fair value of $7.1 million and total unearned interest income of $1.3 million for the nine months then ended. In October 2016, Permian completed a restructuring which resulted in a material modification of the original terms and an extinguishment of our original investment in Permian. Prior to the extinguishment in October 2016, our original investment in Permian had an aggregate cost of $25.0 million, an aggregate fair value of $7.1 million and total unearned interest income of $1.4 million for the year ended December 31, 2016. The extinguishment resulted in a realized loss of $17.9 million. Post restructuring, our investments in Permian have been restored to full accrual status. As of March 31, 2017, our investments in Permian have an aggregate cost basis of $9.3 million and an aggregate fair value of $11.3 million.

During the third quarter of 2016, we received notice that there would be no recovery of the outstanding principle and interest owed on our two super priority first lien positions in ATI Acquisition Company ("ATI"). As of June 30, 2016, our first lien positions in ATI had an aggregate cost of $1.5 million and an aggregate fair value of $0 and no unearned interest income for the period then ended. We wrote off our first lien positions in ATI and recognized an aggregate realized loss of $1.5 million during the three months ended September 30, 2016. As of March 31, 2017, our preferred shares and warrants in Ancora Acquisition LLC, which were received as a result of our first lien positions in ATI, had an aggregate cost basis of $0.1 million and an aggregate fair value of $0.4 million.

Portfolio and Investment Activity

The fair value of our investments was approximately $1,786.9 million in 77 portfolio companies at March 31, 2017 and approximately $1,558.8 million in 78 portfolio companies at December 31, 2016.

The following table shows our portfolio and investment activity for the three months ended March 31, 2017 and March 31, 2016:

	Three Months Ended	
(in millions)	**March 31, 2017**	**March 31, 2016**
New investments in 24 and 7 portfolio companies, respectively	$ 349.4	$ 27.6
Debt repayments in existing portfolio companies	99.1	24.4
Sales of securities in 8 and 1 portfolio companies, respectively	34.7	15.8
Change in unrealized appreciation on 42 and 37 portfolio companies, respectively	13.3	19.6
Change in unrealized depreciation on 32 and 38 portfolio companies, respectively	(7.1)	(34.0)

At March 31, 2017 and March 31, 2016, our weighted average Yield to Maturity at Cost was approximately 11.1% and 10.4%, respectively.

Recent Accounting Standards Updates

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

Results of Operations

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

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

(in thousands)	Three Months Ended March 31, 2017	Stepped-up Cost Basis Adjustments	Incentive Fee Adjustments(1)	Adjusted Three Months Ended March 31, 2017
Investment income				
Interest income	$ 33,998	$ — (2)	$ —	$ 33,998
Dividend income	6,733	—	—	6,733
Other income	2,576	—	—	2,576
Total investment income(3)	43,307	—	—	43,307
Total expenses pre-incentive fee(4)	16,268	—	—	16,268
Pre-Incentive Fee Net Investment Income	27,039	—	—	27,039
Incentive fee	3,608	—	—	3,675
Post-Incentive Fee Net Investment Income	23,431	—	—	23,431
Net realized gains on investments(5)	826	—	—	826
Net change in unrealized appreciation (depreciation) of investments(5)	6,205	— (2)	—	6,205
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(800)	—	—	(800)
Benefit for taxes	755	—	—	755
Capital gains incentive fees	—	—	—	—
Net increase in net assets resulting from operations	$ 30,417			$ 30,417

(1) For the three months ended March 31, 2017, we incurred total incentive fees of $3.6 million, net of the incentive fee waiver of $1.8 million, of which none was related to the capital gains incentive fee accrual on a hypothetical liquidation basis.

(2) For the three months ended March 31, 2017, the adjustment was less than $1 thousand.

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

(4) Includes expense waivers and reimbursements of $0.5 million and management fee waivers of $1.4 million.

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

For the three months ended March 31, 2017, we had less than a $1 thousand adjustment to interest income for amortization and a less than $1 thousand adjustment to net change in unrealized appreciation to adjust for the stepped-up cost basis of the transferred investments discussed above. For the three months ended March 31, 2017, total adjusted investment income of $43.3 million consisted of approximately $32.3 million in cash interest from investments, approximately $0.9 million in PIK interest from investments, approximately $0.1 million in prepayment fees, net amortization of purchase premiums and discounts of approximately $0.7 million, approximately $5.2 million in cash dividends from investments, $1.5 million in PIK and non-cash dividends from investments and approximately $2.6 million in other income. Our Adjusted Net Investment Income was $23.4 million for the three months ended March 31, 2017.

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

Results of Operations for the Three Months Ended March 31, 2017 and March 31, 2016

Revenue

(in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Percentage Change
Interest income	$ 33,998	$ 37,790	(10)%
Dividend income	6,733	1,639	NM *
Other income	2,576	1,547	67 %
Total investment income	$ 43,307	$ 40,976	6 %

* Not meaningful.

Our total investment income increased by approximately $2.3 million for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The 6% increase in total investment income primarily results from an increase in dividend income of approximately $5.1 million during the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The increase is primarily due to distributions from our investments in SLP I, SLP II and NMNLC and PIK and non-cash dividend income from three equity positions. Other income during the three months ended March 31, 2017, which represents fees that are generally non-recurring in nature, was primarily attributable to structuring, upfront, amendment, consent and commitment fees received from twelve different portfolio companies and management fees from a non-controlled affiliated portfolio company. Interest income decreased by approximately $3.8 million from the three months ended March 31, 2016 to the three months ended March 31, 2017, which is attributable to lower prepayment fees received associated with the early repayment of portfolio companies held as of December 31, 2016 and the timing of portfolio originations that were concentrated in the latter half of the quarter.

Operating Expenses

(in thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Percentage Change
Management fee	$ 7,614	$ 6,836	
Less: management fee waiver	(1,356)	(1,319)	
Total management fee	6,258	5,517	13 %
Incentive fee	5,408	5,385	
Less: incentive fee waiver	(1,800)	—	
Total incentive fee	3,608	5,385	(33)%
Capital gains incentive fee(1)	—	—	NM *
Interest and other financing expenses	8,376	6,602	27 %
Professional fees	850	877	(3)%
Administrative expenses	708	839	(16)%
Other general and administrative expenses	466	432	8 %
Total expenses	20,266	19,652	3 %
Less: expenses waived and reimbursed	(470)	(284)	65 %
Net expenses before income taxes	19,796	19,368	2 %
Income tax expense	80	41	95 %
Net expenses after income taxes	$ 19,876	$ 19,409	2 %

(1) Capital gains incentive fee accrual assumes a hypothetical liquidation basis.
* Not meaningful.

Our total net operating expenses increased by approximately $0.5 million for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. Our management fee increased by approximately $0.7 million, net of a management fee waiver, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The increase in management fees from the three months ended March 31, 2016 to the three months ended March 31, 2017 was attributable to larger invested balances, driven by the October 2016 primary offering of our common stock, our May 2016 and

September 2016 unsecured notes issuances and our September 2016 convertible notes issuance and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. Our incentive fees decreased by approximately $1.8 million, net of an incentive fee waiver, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, which was attributable to an incentive fee waiver by the Investment Adviser for the three months ended March 31, 2017 of approximately $1.8 million.

Interest and other financing expenses increased by approximately $1.8 million during the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily due to our issuance of our unsecured notes and additional issuance of our convertible notes and higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below). Our total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

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

	Three Months Ended		Percentage
(in thousands)	**March 31, 2017**	**March 31, 2016**	**Change**
Net realized gains on investments	$ 826	$ 176	NM *
Net change in unrealized appreciation (depreciation) of investments	6,205	(14,386)	NM *
Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell	(800)	(30)	NM *
Benefit for taxes	755	724	4%
Net realized and unrealized gains (losses)	$ 6,986	$ (13,516)	NM *

* Not meaningful.

Our net realized and unrealized gains resulted in a net gain of approximately $7.0 million for the three months ended March 31, 2017 compared to net realized gains and unrealized losses resulting in a net loss of approximately $13.5 million for the same period in 2016. We look at net realized and unrealized gains or losses together as movement in unrealized appreciation or depreciation can be the result of realizations. The net gain for the three months ended March 31, 2017 was primarily driven by the overall increase in the market prices of our investments during the period. The benefit for income taxes was attributable to equity investments that are held as of March 31, 2017 in three of our corporate subsidiaries. The net loss for the three months ended March 31, 2016 was primarily driven by the overall decrease in the market prices of our investments during the period.

Liquidity and Capital Resources

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

Since our IPO, and through March 31, 2017, we raised approximately $533.1 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 200.0% after such borrowing.

At March 31, 2017 and December 31, 2016, we had cash and cash equivalents of approximately $37.7 million and $45.9 million, respectively. Our cash (used in) provided by operating activities during the three months ended March 31, 2017 and March 31, 2016 was approximately $(141.8) million and $41.1 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Borrowings

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

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

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

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

	Three Months Ended	
(in millions)	**March 31, 2017**	**March 31, 2016**
Interest expense	$ 2.7	$ 2.6
Non-usage fee	$ 0.2	$ 0.1
Amortization of financing costs	$ 0.4	$ 0.4
Weighted average interest rate	3.1%	2.6%
Effective interest rate	3.9%	3.2%
Average debt outstanding	$ 346.0	$ 394.7

As of March 31, 2017 and December 31, 2016, the outstanding balance on the Holdings Credit Facility was $376.9 million and $333.5 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

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

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

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

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

	Three Months Ended				
(in millions)	**March 31, 2017**		**March 31, 2016**		
Interest expense	$	0.3	$	0.7	
Non-usage fee	$	0.1	$	—	(1)
Amortization of financing costs	$	0.1	$	0.1	
Weighted average interest rate		3.3%		2.9%	
Effective interest rate		5.5%		3.4%	
Average debt outstanding	$	34.7	$	92.8	

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

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

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

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

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

	March 31, 2017	
Initial conversion premium		12.5%
Initial conversion rate(1)		62.7746
Initial conversion price	$	15.93
Conversion premium at March 31, 2017		11.7%
Conversion rate at March 31, 2017(1)(2)		63.2794
Conversion price at March 31, 2017(2)(3)	$	15.80
Last conversion price calculation date		June 3, 2016

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

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

(3) The conversion price in effect at March 31, 2017 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

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

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

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

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

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
(in millions)	**March 31, 2017**	**March 31, 2016**
Interest expense	$ 1.9	$ 1.4
Amortization of financing costs	$ 0.3	$ 0.2
Amortization of premium	$ — (1)	$ —
Effective interest rate	5.8%	5.7%
Average debt outstanding	$ 155.3	$ 115.0

(1) For the three months ended March 31, 2017, the total amortization of premium was less than $50 thousand.

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

Unsecured Notes—On May 6, 2016, we issued $50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the “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 Unsecured Notes to institutional investors in a private placement. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with our other unsecured indebtedness, including our Convertible Notes.

The 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. This interest rate is subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below $150.0 million. In each such event, we have the option to offer to prepay the Unsecured Notes at par, in which case holders of the Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2017 and March 31, 2016.

	Three Months Ended	
(in millions)	**March 31, 2017**	**March 31, 2016(1)**
Interest expense	$ 1.2	$ —
Amortization of financing costs	$ 0.1	$ —
Effective interest rate	5.8%	—%
Average debt outstanding	$ 90.0	$ —

(1) Not applicable, as the Unsecured Notes were issued on May 6, 2016.

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

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

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

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

As of March 31, 2017 and December 31, 2016, SBIC LP had regulatory capital of $75.0 million and $75.0 million, respectively, and SBA-guaranteed debentures outstanding of $121.7 million and $121.7 million, respectively. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of March 31, 2017.

(in millions)

Issuance Date	**Maturity Date**	**Debenture Amount**	**Interest Rate**	**SBA Annual Charge**
Fixed SBA-guaranteed debentures:				
March 25, 2015	March 1, 2025	$ 37.5	2.517%	0.355%
September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
Total SBA-guaranteed debentures		**$ 121.7**		

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

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

	Three Months Ended	
(in millions)	March 31, 2017	March 31, 2016
Interest expense	$ 1.0	$ 0.9
Amortization of financing costs	$ 0.1	$ 0.1
Weighted average interest rate	3.2%	3.0%
Effective interest rate	3.5%	3.4%
Average debt outstanding	$ 121.7	$ 117.7

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

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2017 and December 31, 2016, we had outstanding commitments to third parties to fund investments totaling $36.1 million and $44.3 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of March 31, 2017 and December 31, 2016, we had commitment letters to purchase investments in an aggregate par amount of $0 and $14.8 million, respectively. As of March 31, 2017 and December 31, 2016, we had not entered into any bridge financing commitments which could require funding in the future.

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

Contractual Obligations

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

	Contractual Obligations Payments Due by Period				
(in millions)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	$ 376.9	$ —	$ 376.9	$ —	$ —
Convertible Notes(2)	155.3	—	155.3	—	—
NMFC Credit Facility(3)	122.5	—	122.5	—	—
SBA-guaranteed debentures(4)	121.7	—	—	—	121.7
Unsecured Notes(5)	90.0	—	—	90.0	—
Total Contractual Obligations	$ 866.4	$ —	$ 654.7	$ 90.0	$ 121.7

(1) Under the terms of the $495.0 million Holdings Credit Facility, all outstanding borrowings under that facility ($376.9 million as of March 31, 2017) must be repaid on or before December 18, 2019. As of March 31, 2017, there was approximately $118.1 million of possible capacity remaining under the Holdings Credit Facility.

(2) The $155.3 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder’s option.

(3) Under the terms of the $122.5 million NMFC Credit Facility, all outstanding borrowings under that facility ($122.5 million as of March 31, 2017) must be repaid on or before June 4, 2019. As of March 31, 2017, there was no capacity remaining under the NMFC Credit Facility.

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

(5) The $90.0 million Unsecured Notes will mature on May 15, 2021 unless earlier repurchased.

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

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

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

Distributions and Dividends

Distributions declared and paid to stockholders for the three months ended March 31, 2017 totaled approximately $23.7 million.

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

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount
December 31, 2017				
First Quarter	February 23, 2017	March 17, 2017	March 31, 2017	$ 0.34
				$ 0.34
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
December 31, 2015				
Fourth Quarter	November 3, 2015	December 16, 2015	December 30, 2015	$ 0.34
Third Quarter	August 4, 2015	September 16, 2015	September 30, 2015	0.34
Second Quarter	May 5, 2015	June 16, 2015	June 30, 2015	0.34
First Quarter	February 23, 2015	March 17, 2015	March 31, 2015	0.34
				$ 1.36

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, 2016 and December 31, 2015, total distributions were $88.8 million and $81.0 million, respectively, of which the distributions were comprised of approximately 89.46% and 99.96%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 10.54% and 0.04%, 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 Adjusted Net Investment Income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment.

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

Related Parties

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

- We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.
- We have entered into an Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2017 approximately $0.4 million of indirect administrative expenses were included in administrative expenses, of which approximately $0.4 million of indirect administrative expenses were waived by the Administrator. As of March 31, 2017, no indirect administrative expenses were included in payable to affiliates.
- We, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us, the Investment Adviser and the Administrator, a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

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

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, to our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On September 12, 2016, we filed an exemptive application with the SEC to permit us to co-invest with 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. Any such order, if granted by the SEC, will be subject to certain terms and conditions. Furthermore, there is no assurance when, or if, this application for exemptive relief will be granted by the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the three months ended March 31, 2017, certain of the loans held in our portfolio have floating interest rates. As of March 31, 2017, approximately 87.0% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 13.0% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

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

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

Change in Interest Rates	Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)	
-25 Basis Points	0.73%	(1)
Base Interest Rate	—%	
+100 Basis Points	6.89%	
+200 Basis Points	14.12%	
+300 Basis Points	21.36%	

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

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2017 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) 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 March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

Item 1. Legal Proceedings

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

Item 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, 2016, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. There have been no material changes during the three months ended March 31, 2017 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2016.

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 March 31, 2017.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the quarter ended March 31, 2017, we did not purchase any of our common stock in the open market.

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 23, 2016, our board of directors extended our repurchase program and we expect the repurchase program to be in place until the earlier of December 31, 2017 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 March 31, 2017.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the United States Securities and Exchange Commission:

Exhibit Number	Description
3.1(a)	Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)
3.1(b)	Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)
3.2	Amended and Restated Bylaws of New Mountain Finance Corporation(2)
4.1	Form of Stock Certificate of New Mountain Finance Corporation(1)
4.2	Indenture by and between New Mountain Finance Corporation, as Issuer, and U.S. Bank National Association, as Trustee, dated June 3, 2014 (7)
4.3	Form of Global Note 5.00% Convertible Note Due 2019 (included as part of Exhibit 4.2)(7)
10.1	Second Amended and Restated Loan and Security Agreement, dated as of December 18, 2014, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Securities, LLC, as administrative agent, and Wells Fargo, National Association, as lender and custodian(9)
10.2	Form of Variable Funding Note of New Mountain Finance Holdings, L.L.C., as the Borrower(1)
10.3	Form of Amended and Restated Account Control Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Securities Intermediary(1)
10.4	Form of Senior Secured Revolving Credit Agreement, by and between New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Syndication Agent, dated June 4, 2014(8)
10.5	Form of Guarantee and Security Agreement dated June 4, 2014, among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent(8)
10.6	Amendment No. 1, dated December 29, 2014, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(10)
10.7	Amendment No. 2, dated June 26, 2015, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Issuing Bank(12)
10.8	Commitment Increase Agreement, dated March 23, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Issuing Bank(13)
10.9	Commitment Increase Agreement, dated May 4, 2016, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent and Issuing Bank(14)
10.10	Investment Advisory and Management Agreement by and between New Mountain Finance Corporation and New Mountain Finance Advisers BDC, LLC(6)
10.11	Form of Safekeeping Agreement among New Mountain Finance Holdings, L.L.C., Wells Fargo Securities, LLC as the Administrative Agent and Wells Fargo Bank, National Association, as Safekeeping Agent(1)
10.12	Custody Agreement by and between New Mountain Finance Corporation and U.S. Bank National Association(5)
10.13	Second Amended and Restated Administration Agreement(11)
10.14	Form of Trademark License Agreement(1)
10.15	Amendment No. 1 to Trademark License Agreement(4)
10.16	Form of Indemnification Agreement by and between New Mountain Finance Corporation and each director(1)

Exhibit Number	Description
10.17	Dividend Reinvestment Plan(2)
10.18	Limited Liability Company Agreement of NMFC Senior Loan Program II LLC, dated March 9, 2016(14)
10.19	Form of Amended and Restated Note Purchase Agreement relating to 5.313% Notes due 2021, dated September 30, 2016, by and between New Mountain Finance Corporation and the purchasers party thereto(15)
11.1	Computation of Per Share Earnings for New Mountain Finance Corporation (included in the notes to the financial statements contained in this report)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

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

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

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

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

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

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

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

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

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

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

(11) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 5, 2015.

(12) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on June 30, 2015.

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

(14) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on May 4, 2016.

(15) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on October 3, 2016.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 8, 2017.

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)

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Section 2: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of New Mountain Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 8th day of May, 2017

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

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Section 3: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Shiraz Y. Kajee, Chief Financial Officer of New Mountain Finance Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Mountain Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated this 8th day of May, 2017

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

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Section 4: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2017 (the “Report”) of New Mountain Finance Corporation (the “Registrant”), as filed with the United States Securities and Exchange Commission on the date hereof, I, Robert A. Hamwee, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/s/ ROBERT A. HAMWEE

Name:	Robert A. Hamwee
Date:	May 8, 2017

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Section 5: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2017 (the “Report”) of New Mountain Finance Corporation (the “Registrant”), as filed with the United States Securities and Exchange Commission on the date hereof, I, Shiraz Y. Kajee, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/s/ SHIRAZ Y. KAJEE

Name:	Shiraz Y. Kajee
Date:	May 8, 2017

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