

## 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, 2018

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

Commission  
File Number

814-00832

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

**New Mountain Finance Corporation**

787 Seventh Avenue, 48th Floor  
New York, New York 10019  
Telephone: (212) 720-0300  
State of Incorporation: Delaware

I.R.S. Employer  
Identification Number

27-2978010

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

Indicate by check mark whether the registrant has submitted electronically 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 7, 2018

Common stock, par value \$0.01 per share

75,935,093

**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018**  
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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)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,563,275 and \$1,438,889, respectively)	\$ 1,583,047	\$ 1,462,182
Non-controlled/affiliated investments (cost of \$152,521 and \$180,380, respectively)	155,729	178,076
Controlled investments (cost of \$229,862 and \$171,958, respectively)	239,147	185,402
Total investments at fair value (cost of \$1,945,658 and \$1,791,227, respectively)	1,977,923	1,825,660
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000 respectively)	25,200	25,212
Cash and cash equivalents	29,636	34,936
Interest and dividend receivable	36,767	31,844
Receivable from affiliates	651	343
Other assets	8,242	10,023
<b>Total assets</b>	<b>\$ 2,078,419</b>	<b>\$ 1,928,018</b>
<b>Liabilities</b>		
Borrowings		
Holdings Credit Facility	\$ 355,663	\$ 312,363
Unsecured Notes	235,000	145,000
Convertible Notes	155,385	155,412
SBA-guaranteed debentures	150,000	150,000
NMFC Credit Facility	95,000	122,500
Deferred financing costs (net of accumulated amortization of \$17,885 and \$16,578, respectively)	(16,012)	(15,777)
Net borrowings	975,036	869,498
Payable for unsettled securities purchased	29,841	—
Management fee payable	14,435	7,065
Incentive fee payable	13,105	6,671
Interest payable	7,201	5,107
Payable to affiliates	2,076	863
Deferred tax liability	812	894
Other liabilities	2,912	2,945
<b>Total liabilities</b>	<b>1,045,418</b>	<b>893,043</b>
<b>Commitments and contingencies (See Note 9)</b>		
<b>Net assets</b>		
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, 75,935,093 and 75,935,903 shares issued and outstanding, respectively	759	759
Paid in capital in excess of par	1,053,468	1,053,468
Accumulated undistributed net investment income	39,083	39,165
Accumulated undistributed net realized losses on investments	(76,475)	(76,681)
Net unrealized appreciation (depreciation) (net of provision for taxes of \$812 and \$894, respectively)	16,166	18,264
<b>Total net assets</b>	<b>\$ 1,033,001</b>	<b>\$ 1,034,975</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,078,419</b>	<b>\$ 1,928,018</b>
Number of shares outstanding	75,935,093	75,935,093
<b>Net asset value per share</b>	<b>\$ 13.60</b>	<b>\$ 13.63</b>

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, 2018	March 31, 2017
<b>Investment income</b>		
From non-controlled/non-affiliated investments:		
Interest income	\$ 35,436	\$ 32,876
Dividend income	486	39
Non-cash dividend income	1,324	12
Other income	2,868	2,265
From non-controlled/affiliated investments:		
Interest income	102	647
Dividend income	845	1,004
Non-cash dividend income	4,009	644
Other income	302	298
From controlled investments:		
Interest income	1,201	475
Dividend income	4,239	4,213
Non-cash dividend income	1,454	821
Other income	623	13
<b>Total investment income</b>	<b>52,889</b>	<b>43,307</b>
<b>Expenses</b>		
Incentive fee	6,434	5,408
Management fee	8,692	7,614
Interest and other financing expenses	11,290	8,376
Professional fees	694	850
Administrative expenses	939	708
Other general and administrative expenses	410	466
<b>Total expenses</b>	<b>28,459</b>	<b>23,422</b>
Less: management and incentive fees waived (See Note 5)	(1,322)	(3,156)
Less: expenses waived and reimbursed (See Note 5)	—	(470)
<b>Net expenses</b>	<b>27,137</b>	<b>19,796</b>
<b>Net investment income before income taxes</b>	<b>25,752</b>	<b>23,511</b>
Income tax expense	16	80
<b>Net investment income</b>	<b>25,736</b>	<b>23,431</b>
Net realized gains (losses):		
Non-controlled/non-affiliated investments	206	826
Net change in unrealized appreciation (depreciation):		
Non-controlled/non-affiliated investments	(3,521)	7,979
Non-controlled/affiliated investments	1,809	(296)
Controlled investments	(456)	(1,478)
Securities purchased under collateralized agreements to resell	(12)	(800)
Benefit for taxes	82	755
<b>Net realized and unrealized gains (losses)</b>	<b>(1,892)</b>	<b>6,986</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 23,844</b>	<b>\$ 30,417</b>
Basic earnings per share	\$ 0.31	\$ 0.44
Weighted average shares of common stock outstanding - basic (See Note 11)	75,935,093	69,718,968
Diluted earnings per share	\$ 0.30	\$ 0.40
Weighted average shares of common stock outstanding - diluted (See Note 11)	85,759,220	79,543,095
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, 2018	March 31, 2017
<b>Increase (decrease) in net assets resulting from operations:</b>		
Net investment income	\$ 25,736	\$ 23,431
Net realized gains on investments	206	826
Net change in unrealized (depreciation) appreciation of investments	(2,168)	6,205
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(12)	(800)
Benefit for taxes	82	755
<b>Net increase in net assets resulting from operations</b>	<b>23,844</b>	<b>30,417</b>
<b>Capital transactions</b>		
Distributions declared to stockholders from net investment income	(25,818)	(23,704)
Reinvestment of distributions	—	1,548
Other	—	(81)
<b>Total net decrease in net assets resulting from capital transactions</b>	<b>(25,818)</b>	<b>(22,237)</b>
<b>Net (decrease) increase in net assets</b>	<b>(1,974)</b>	<b>8,180</b>
<b>Net assets at the beginning of the period</b>	<b>1,034,975</b>	<b>938,562</b>
<b>Net assets at the end of the period</b>	<b>\$ 1,033,001</b>	<b>\$ 946,742</b>
<b>Capital share activity</b>		
Shares issued from the reinvestment of distributions	—	66,306
Shares reissued from repurchase program in connection with the reinvestment of distributions	—	37,573
<b>Net increase in shares outstanding</b>	<b>—</b>	<b>103,879</b>

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

**New Mountain Finance Corporation**  
**Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	\$ 23,844	\$ 30,417
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gains on investments	(206)	(826)
Net change in unrealized depreciation (appreciation) of investments	2,168	(6,205)
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	12	800
Amortization of purchase discount	(926)	(747)
Amortization of deferred financing costs	1,307	988
Amortization of premium on Convertible Notes	(27)	(27)
Non-cash investment income	(4,292)	(1,933)
<b>(Increase) decrease in operating assets:</b>		
Purchase of investments and delayed draw facilities	(237,846)	(349,477)
Proceeds from sales and paydowns of investments	87,141	133,801
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	29	120
Cash paid on drawn revolvers	(5,423)	(3,970)
Cash repayments on drawn revolvers	7,092	1,159
Interest and dividend receivable	(4,923)	(3,881)
Receivable from unsettled securities sold	—	(691)
Receivable from affiliates	(308)	(369)
Other assets	1,781	(967)
<b>Increase (decrease) in operating liabilities:</b>		
Payable for unsettled securities purchased	29,841	47,811
Management fee payable	7,370	6,258
Incentive fee payable	6,434	3,608
Interest payable	2,094	2,478
Payable to affiliates	1,213	276
Deferred tax liability	(82)	(755)
Other liabilities	(101)	298
<b>Net cash flows used in operating activities</b>	<u>(83,808)</u>	<u>(141,834)</u>
<b>Cash flows from financing activities</b>		
Distributions paid	(25,818)	(22,156)
Offering costs paid	—	(58)
Proceeds from Holdings Credit Facility	94,500	165,600
Repayment of Holdings Credit Facility	(51,200)	(122,200)
Proceeds from Unsecured Notes	90,000	—
Proceeds from NMFC Credit Facility	65,000	122,500
Repayment of NMFC Credit Facility	(92,500)	(10,000)
Other	—	(81)
Deferred financing costs paid	(1,474)	(36)
<b>Net cash flows provided by financing activities</b>	<u>78,508</u>	<u>133,569</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(5,300)</u>	<u>(8,265)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>34,936</u>	<u>45,928</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>\$ 29,636</u>	<u>\$ 37,663</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash interest paid	\$ 7,577	\$ 4,570
Income taxes paid	3	12
<b>Non-cash financing activities:</b>		
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	944	540

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

New Mountain Finance Corporation

Consolidated Schedule of Investments  
 March 31, 2018  
 (in thousands, except shares)  
 (unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Non-Controlled/Non-Affiliated Investments</b>								
<b>Funded Debt Investments - United Kingdom</b>								
Shine Acquisition Co. S.à.r.l. / Boing US Holdco Inc.**								
Consumer Services	Second lien (3)	9.29% (L + 7.50%/Q)	9/25/2017	10/3/2025	\$ 40,353	\$ 40,064	\$ 40,480	3.92 %
Air Newco LLC**								
Software	Second lien (3)	11.37% (L + 9.50%/Q)	1/30/2015	1/31/2023	40,000	39,068	39,600	3.83 %
<b>Total Funded Debt Investments - United Kingdom</b>					<b>\$ 80,353</b>	<b>\$ 79,132</b>	<b>\$ 80,080</b>	<b>7.75 %</b>
<b>Funded Debt Investments - United States</b>								
Benevis Holding Corp.								
Healthcare Services	First lien (2)	8.50% (L + 6.32%/Q)	3/15/2018	3/15/2024	\$ 58,824	\$ 58,824	\$ 58,824	
	First lien (3)	8.50% (L + 6.32%/Q)	3/15/2018	3/15/2024	20,691	20,691	20,691	
					79,515	79,515	79,515	7.70 %
AmWINS Group, Inc.								
Business Services	Second lien (3)	8.63% (L + 6.75%/Q)	1/19/2017	1/25/2025	57,000	56,810	57,570	5.57 %
Alegus Technologies, LLC								
Healthcare Services	Second lien (3)(10)	10.80% (L + 8.50%/Q)	4/28/2017	10/30/2023	23,500	23,500	23,500	
	Second lien (4)(10)	10.80% (L + 8.50%/Q)	4/28/2017	10/30/2023	22,500	22,500	22,500	
					46,000	46,000	46,000	4.45 %
Integro Parent Inc.								
Business Services	First lien (2)	7.56% (L + 5.75%/Q)	10/9/2015	10/31/2022	34,784	34,525	34,784	
	Second lien (3)	11.02% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,922	9,800	
					44,784	44,447	44,584	4.32 %
Severin Acquisition, LLC								
Software	Second lien (4)(10)	10.63% (L + 8.75%/M)	7/31/2015	7/29/2022	15,000	14,896	15,000	
	Second lien (3)(10)	10.63% (L + 8.75%/M)	2/1/2017	7/29/2022	14,518	14,368	14,518	
	Second lien (4)(10)	10.63% (L + 8.75%/M)	11/5/2015	7/29/2022	4,154	4,124	4,154	
	Second lien (4)(10)	11.13% (L + 9.25%/M)	2/1/2016	7/29/2022	3,273	3,249	3,273	
	Second lien (3)(10)	10.88% (L + 9.00%/M)	10/14/2016	7/29/2022	2,361	2,342	2,361	
	Second lien (3)(10)	11.13% (L + 9.25%/M)	8/8/2016	7/29/2022	1,825	1,810	1,825	
	Second lien (4)(10)	11.13% (L + 9.25%/M)	8/8/2016	7/29/2022	300	298	300	
					41,431	41,087	41,431	4.01 %
Salient CRGT Inc.								
Federal Services	First lien (2)	7.63% (L + 5.75%/M)	1/6/2015	2/28/2022	39,882	39,445	40,380	3.91 %
Tenawa Resource Holdings LLC (13)								
Tenawa Resource Management LLC								
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,800	39,737	39,800	3.85 %
VetCor Professional Practices LLC								
Consumer Services	First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	19,062	18,955	19,085	
	First lien (2)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	7,694	7,591	7,704	
	First lien (3)(11) - Drawn	8.56% (L + 6.25%/Q)	2/24/2017	4/20/2021	5,990	5,884	5,998	
	First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	2,644	2,627	2,647	
	First lien (3)(11) - Drawn	8.56% (L + 6.25%/Q)	6/24/2016	4/20/2021	1,881	1,865	1,884	
	First lien (2)	8.56% (L + 6.25%/Q)	3/31/2016	4/20/2021	1,628	1,603	1,630	
	First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	494	487	494	
					39,393	39,012	39,442	3.82 %

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



**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**March 31, 2018**  
**(in thousands, except shares)**  
**(unaudited)**

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Frontline Technologies Group Holdings, LLC								
Education	First lien (2)(10)	8.38% (L + 6.50%/M)	9/18/2017	9/18/2023	\$ 16,708	\$ 16,592	\$ 16,583	
	First lien (4)(10)	8.38% (L + 6.50%/M)	9/18/2017	9/18/2023	22,557	22,400	22,388	
					<u>39,265</u>	<u>38,992</u>	<u>38,971</u>	3.77 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(10)	7.80% (L + 5.50%/Q)	2/9/2018	2/9/2024	38,930	38,739	38,735	3.75 %
Kronos Incorporated								
Software	Second lien (2)	10.02% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,520	37,425	3.62 %
Valet Waste Holdings, Inc.								
Business Services	First lien (2)(10)	8.14% (L + 6.25%/M)	9/24/2015	9/24/2021	29,250	29,018	29,250	
	First lien (2)(10)	8.14% (L + 6.25%/M)	7/27/2017	9/24/2021	3,722	3,690	3,722	
	First lien (3)(10)(11) - Drawn	8.89% (L + 7.00%/M)	9/24/2015	9/24/2021	600	593	600	
					<u>33,572</u>	<u>33,301</u>	<u>33,572</u>	3.25 %
Navicure, Inc.								
Healthcare Services	Second lien (3)	9.38% (L + 7.50%/M)	10/23/2017	10/31/2025	31,470	31,385	31,627	3.06 %
Evo Payments International, LLC								
Business Services	Second lien (2)	10.88% (L + 9.00%/M)	12/8/2016	12/23/2024	25,000	24,827	25,250	
	Second lien (3)	10.88% (L + 9.00%/M)	12/8/2016	12/23/2024	5,000	5,052	5,050	
					<u>30,000</u>	<u>29,879</u>	<u>30,300</u>	2.93 %
Wirepath LLC								
Distribution & Logistics	First lien (2)	6.80% (L + 4.50%/Q)	7/31/2017	8/5/2024	27,661	27,533	27,895	2.70 %
Ansira Holdings, Inc.								
Business Services	First lien (2)	8.80% (L + 6.50%/Q)	12/19/2016	12/20/2022	25,855	25,748	25,790	
	First lien (3)(11) - Drawn	8.80% (L + 6.50%/Q)	12/19/2016	12/20/2022	2,102	2,093	2,097	
					<u>27,957</u>	<u>27,841</u>	<u>27,887</u>	2.70 %
Trader Interactive, LLC								
Business Services	First lien (2)(10)	7.85% (L + 6.00%/M)	6/15/2017	6/17/2024	27,122	26,937	26,919	2.61 %
TW-NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (4)(10)	11.55% (L + 9.25%/Q)	7/14/2015	7/14/2022	21,500	21,309	20,702	
	Second lien (3)(10)	11.55% (L + 9.25%/Q)	7/14/2015	7/14/2022	5,800	5,740	5,585	
					<u>27,300</u>	<u>27,049</u>	<u>26,287</u>	2.54 %
Keystone Acquisition Corp.								
Healthcare Services	First lien (2)	7.55% (L + 5.25%/Q)	5/10/2017	5/1/2024	19,900	19,720	20,024	
	Second lien (3)	11.55% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,458	4,556	
					<u>24,400</u>	<u>24,178</u>	<u>24,580</u>	2.38 %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(10)	9.14% (L + 7.25%/M)	8/4/2015	8/4/2022	17,550	17,430	17,550	
	First lien (4)(10)	8.06% (L + 6.25%/M)	6/16/2017	8/4/2022	4,566	4,546	4,543	
	First lien (2)(10)	8.04% (L + 6.25%/M)	9/25/2017	8/4/2022	1,158	1,153	1,152	
	First lien (4)(10)	8.04% (L + 6.25%/M)	9/25/2017	8/4/2022	509	507	507	
					<u>23,783</u>	<u>23,636</u>	<u>23,752</u>	2.30 %

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

**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**March 31, 2018**  
**(in thousands, except shares)**  
(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AAC Holding Corp.								
Education	First lien (2)(10)	9.92% (L + 8.25%/M)	9/30/2015	9/30/2020	\$ 22,971	\$ 22,781	\$ 22,971	2.22 %
TWDiamondback Holdings Corp. (15)								
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)								
Distribution & Logistics	First lien (4)(10)	11.22% (L + 8.75%/Q)	11/19/2014	11/19/2019	19,895	19,895	19,895	
	First lien (3)(10)	10.79% (L + 8.75%/Q)	11/19/2014	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	10.79% (L + 8.75%/Q)	11/19/2014	11/19/2019	605	605	605	
					<u>22,658</u>	<u>22,658</u>	<u>22,658</u>	2.19 %
EN Engineering, LLC								
Business Services	First lien (2)(10)	8.30% (L + 6.00%/Q)	7/30/2015	6/30/2021	20,839	20,715	20,839	
	First lien (2)(10)	8.30% (L + 6.00%/Q)	7/30/2015	6/30/2021	1,205	1,197	1,205	
					<u>22,044</u>	<u>21,912</u>	<u>22,044</u>	2.13 %
Avatar Topco, Inc. (23)								
EAB Global, Inc.								
Education	Second lien (3)	9.23% (L + 7.50%/Q)	11/17/2017	11/17/2025	21,450	21,139	21,450	2.08 %
DigiCert Holdings, Inc.								
Business Services	Second lien (3)	9.77% (L + 8.00%/M)	9/20/2017	10/31/2025	20,176	20,079	20,378	1.97 %
OEConnection LLC								
Business Services	Second lien (3)	10.46% (L + 8.00%/Q)	11/22/2017	11/22/2025	20,213	19,943	20,213	1.96 %
Help/Systems Holdings, Inc.								
Software	Second lien (5)	10.05% (L + 7.75%/Q)	3/23/2018	3/27/2026	20,231	20,130	20,130	1.95 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (3)	9.81% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,319	19,744	1.91 %
ABILITY Network Inc.								
Healthcare Information Technology	Second lien (3)	9.54% (L + 7.75%/M)	12/11/2017	12/12/2025	18,851	18,839	18,933	1.83 %
AgKnowledge Holdings Company, Inc.								
Business Services	Second lien (2)(10)	10.13% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,417	18,500	1.79 %
KeyPoint Government Solutions, Inc.								
Federal Services	First lien (2)(10)	7.73% (L + 6.00%/M)	4/18/2017	4/18/2024	18,173	18,012	18,355	1.78 %
BackOffice Associates Holdings, L.L.C.								
Business Services	First lien (2)(10)	9.38% (L + 7.50%/M)	8/25/2017	8/25/2023	18,502	18,354	18,341	1.78 %
SW Holdings, LLC								
Business Services	Second lien (4)(10)	11.05% (L + 8.75%/Q)	6/30/2015	12/30/2021	18,161	18,030	18,260	1.77 %
VF Holding Corp.								
Software	Second lien (3)(10)	10.88% (L + 9.00%/M)	7/7/2016	6/28/2024	17,086	17,387	17,427	1.69 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (2)(10)	7.56% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,408	17,306	17,408	1.69 %
TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,729	16,359	1.58 %
Hill International, Inc.**								
Business Services	First lien (2)(10)	7.63% (L + 5.75%/M)	6/21/2017	6/21/2023	15,682	15,611	15,603	1.51 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)(10)	9.31% (L + 7.25%/Q)	9/29/2016	9/8/2022	15,317	15,189	15,348	1.49 %
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien (2)	11.38% (L + 9.50%/Q)	4/18/2016	10/19/2023	15,000	14,695	15,075	1.46 %
Xactly Corporation								
Software	First lien (4)(10)	9.14% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,557	14,543	1.41 %

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<b>Transcendia Holdings, Inc.</b>								
Packaging	Second lien (3)	9.88% (L + 8.00%/M)	6/28/2017	5/30/2025	\$ 14,500	\$ 14,313	\$ 14,391	1.39 %
<b>Peraton Holding Corp. (fka MHVC Acquisition Corp.)</b>								
Federal Services	First lien (2)	7.56% (L + 5.25%/Q)	4/25/2017	4/29/2024	13,994	13,953	14,099	1.36 %
<b>Ministry Brands, LLC</b>								
Software	First lien (3)	6.88% (L + 5.00%/M)	12/7/2016	12/2/2022	2,985	2,973	2,985	
	Second lien (3)(10)	11.13% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,790	7,840	
	Second lien (3)(10)	11.13% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,146	2,160	
	First lien (3)(10)(11) - Drawn	6.78% (L + 5.00%/Q)	12/7/2016	12/2/2022	600	597	600	
					<u>13,585</u>	<u>13,506</u>	<u>13,585</u>	1.32 %
<b>Project Accelerate Parent, LLC</b>								
Business Services	Second lien (3)(10)	10.19% (L + 8.50%/Q)	1/2/2018	1/2/2026	13,473	13,308	13,305	1.29 %
<b>American Tire Distributors, Inc.</b>								
Distribution & Logistics	Subordinated (3)	10.25%/S	2/10/2015	3/1/2022	12,520	12,279	12,849	1.24 %
<b>nThrive, Inc. (fka Precyse Acquisition Corp.)</b>								
Healthcare Services	Second lien (2)(10)	11.63% (L + 9.75%/M)	4/19/2016	4/20/2023	13,000	12,820	12,574	1.22 %
<b>SSH Group Holdings, Inc.</b>								
Education	First lien (2)(10)	7.45% (L + 5.00%/Q)	10/13/2017	10/2/2024	8,386	8,346	8,344	
	Second lien (3)(10)	11.45% (L + 9.00%/Q)	10/13/2017	10/2/2025	3,363	3,330	3,329	
					<u>11,749</u>	<u>11,676</u>	<u>11,673</u>	1.13 %
<b>ProQuest LLC</b>								
Business Services	Second lien (3)	10.88% (L + 9.00%/M)	12/14/2015	12/15/2022	11,620	11,447	11,620	1.12 %
<b>Zywave, Inc.</b>								
Software	Second lien (4)(10)	10.87% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,929	11,022	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/Q)	11/22/2016	11/17/2022	500	496	500	
					<u>11,500</u>	<u>11,425</u>	<u>11,522</u>	1.12 %
<b>Amerijet Holdings, Inc.</b>								
Distribution & Logistics	First lien (4)(10)	9.65% (L + 8.00%/M)	7/15/2016	7/15/2021	9,455	9,405	9,494	
	First lien (4)(10)	9.65% (L + 8.00%/M)	7/15/2016	7/15/2021	1,576	1,567	1,582	
					<u>11,031</u>	<u>10,972</u>	<u>11,076</u>	1.07 %
<b>Vectra Co.</b>								
Business Products	Second lien (3)	8.96% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,748	10,896	1.05 %
<b>Masergy Holdings, Inc.</b>								
Business Services	Second lien (2)	9.80% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,448	10,583	1.02 %
<b>QC McKissock Investment, LLC (14)</b>								
<b>McKissock, LLC</b>								
Education	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	6,399	6,372	6,399	
	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	3,051	3,040	3,051	
	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	985	980	985	
					<u>10,435</u>	<u>10,392</u>	<u>10,435</u>	1.01 %
<b>Idera, Inc.</b>								
Software	Second lien (4)	10.88% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,859	10,200	0.99 %
<b>Quest Software US Holdings Inc.</b>								
Software	First lien (2)	7.27% (L + 5.50%/M)	10/31/2016	10/31/2022	9,899	9,780	10,095	0.98 %
<b>PowerPlan Holdings, Inc.</b>								
Software	Second lien (2)(10)	10.88% (L + 9.00%/M)	2/23/2015	2/23/2023	10,000	9,929	10,000	0.97 %

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<b>FPC Holdings, Inc.</b>								
Distribution & Logistics	Second lien (3)	10.88% (L + 9.00%/Q)	3/28/2018	5/19/2023	\$ 10,116	\$ 9,711	\$ 9,711	0.94 %
<b>WD Wolverine Holdings, LLC</b>								
Healthcare Services	First lien (2)	7.38% (L + 5.50%/Q)	2/22/2017	8/16/2022	9,750	9,486	9,671	0.94 %
<b>Pelican Products, Inc.</b>								
Business Products	Second lien (2)	10.13% (L + 8.25%/Q)	4/9/2014	4/9/2021	9,500	9,531	9,548	0.92 %
<b>J.D. Power (fka J.D. Power and Associates)</b>								
Business Services	Second lien (3)	10.80% (L + 8.50%/Q)	6/9/2016	9/7/2024	9,333	9,232	9,473	0.92 %
<b>Harley Marine Services, Inc.</b>								
Distribution & Logistics	Second lien (2)	12.00% (L + 10.25%/M)	12/18/2013	12/20/2019	9,000	8,937	8,955	0.87 %
<b>JAMF Holdings, Inc.</b>								
Software	First lien (3)(10)	9.82% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,675	8,670	0.84 %
<b>Autodata, Inc. (Autodata Solutions, Inc.)</b>								
Business Services	Second lien (3)	9.01% (L + 7.25%/M)	12/12/2017	12/12/2025	7,406	7,388	7,517	0.73 %
<b>MH Sub I, LLC (Micro Holding Corp.)</b>								
Software	Second lien (3)	9.28% (L + 7.50%/Q)	8/16/2017	9/15/2025	7,000	6,933	7,101	0.69 %
<b>DG Investment Intermediate Holdings 2, Inc. (aka Convergent Technologies Holdings, LLC)</b>								
Business Services	Second lien (3)	9.05% (L + 6.75%/Q)	1/29/2018	2/2/2026	6,732	6,699	6,833	0.66 %
<b>First American Payment Systems, L.P.</b>								
Business Services	First lien (2)	6.44% (L + 4.75%/M)	1/3/2017	1/5/2024	6,688	6,630	6,763	0.66 %
<b>CP VI Bella Midco, LLC</b>								
Healthcare Services	Second lien (3)	8.63% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,699	6,741	0.65 %
<b>Pathway Partners Vet Management Company LLC</b>								
Consumer Services	Second lien (4)	9.88% (L + 8.00%/M)	10/4/2017	10/10/2025	5,556	5,528	5,527	
	Second lien (4)(11) - Drawn	9.88% (L + 8.00%/M)	10/4/2017	10/10/2025	698	694	694	
					<u>6,254</u>	<u>6,222</u>	<u>6,221</u>	0.60 %
<b>Solera LLC / Solera Finance, Inc.</b>								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,797	5,588	0.54 %
<b>Applied Systems, Inc.</b>								
Software	Second lien (3)	9.30% (L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,102	0.49 %
<b>ADG, LLC</b>								
Healthcare Services	Second lien (3)(10)	10.88% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,936	5,037	0.49 %
<b>Vencore, Inc. (fka The SI Organization Inc.)</b>								
Federal Services	Second lien (3)	10.63% (L + 8.75%/Q)	6/14/2016	5/23/2020	4,400	4,355	4,439	0.43 %
<b>Affinity Dental Management, Inc.</b>								
Healthcare Services	First lien (2)(10)	8.30% (L + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,304	4,301	0.42 %
<b>York Risk Services Holding Corp.</b>								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,820	0.27 %
<b>Ensemble S Merger Sub, Inc.</b>								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,948	2,110	0.20 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation (12)								
Education Management II LLC								
Education	First lien (2)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	\$ 211	\$ 205	\$ 50	
	First lien (3)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	119	116	28	
	First lien (2)	13.25% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	475	437	7	
	First lien (3)	13.25% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	268	246	4	
					1,073	1,004	89	0.01 %
<b>Total Funded Debt Investments - United States</b>					<b>\$ 1,442,480</b>	<b>\$ 1,432,395</b>	<b>\$ 1,446,005</b>	<b>139.98 %</b>
<b>Total Funded Debt Investments</b>					<b>\$ 1,522,833</b>	<b>\$ 1,511,527</b>	<b>\$ 1,526,085</b>	<b>147.73 %</b>
<b>Equity - Hong Kong</b>								
Bach Special Limited (Bach Preference Limited)**								
Education	Preferred shares (3)(10) (22)	—	9/1/2017	—	60,711	\$ 5,991	\$ 5,988	0.58 %
<b>Total Shares - Hong Kong</b>						<b>\$ 5,991</b>	<b>\$ 5,988</b>	<b>0.58 %</b>
<b>Equity - United States</b>								
Avatar Topco, Inc.								
Education	Preferred shares (3)(10) (23)	—	11/17/2017	—	35,750	\$ 36,372	\$ 36,321	3.52 %
Tenawa Resource Holdings LLC (13)								
QID NGL LLC								
Energy	Ordinary shares (7)(10)	—	5/12/2014	—	5,290,997	5,291	7,855	
	Preferred shares (7)(10)	—	10/30/2017	—	620,706	621	970	
						5,912	8,825	0.85 %
TWDiamondback Holdings Corp. (15)								
Distribution & Logistics	Preferred shares (4)(10)	—	11/19/2014	—	200	2,000	4,508	0.44 %
TW-NHME Holdings Corp. (20)								
Healthcare Services	Preferred shares (4)(10)	—	7/14/2015	—	100	1,000	409	
	Preferred shares (4)(10)	—	1/5/2016	—	16	158	64	
	Preferred shares (4)(10)	—	6/30/2016	—	6	68	25	
	Preferred shares (3)(10)	—	3/29/2018	—	40	162	162	
						1,388	660	0.06 %
Ancora Acquisition LLC								
Education	Preferred shares (6)(10)	—	8/12/2013	—	372	83	393	0.04 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation (12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	\$ 200	\$ —	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	11	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	6	
						469	17	— %
<b>Total Shares - United States</b>						<b>\$ 46,224</b>	<b>\$ 50,724</b>	<b>4.91 %</b>
<b>Total Shares</b>						<b>\$ 52,215</b>	<b>\$ 56,712</b>	<b>5.49 %</b>
<b>Warrants - United States</b>								
ASP LCG Holdings, Inc.								
Education	Warrants (3)(10)	—	5/5/2014	5/5/2026	622	\$ 37	\$ 452	0.04 %
Ancora Acquisition LLC								
Education	Warrants (6)(10)	—	8/12/2013	8/12/2020	20	—	—	— %
<b>Total Warrants - United States</b>						<b>\$ 37</b>	<b>\$ 452</b>	<b>0.04 %</b>
<b>Total Funded Investments</b>						<b>\$ 1,563,779</b>	<b>\$ 1,583,249</b>	<b>153.26 %</b>
<b>Unfunded Debt Investments - United States</b>								
VetCor Professional Practices LLC								
Consumer Services	First lien (3)(11) - Undrawn	—	5/15/2015	4/20/2021	\$ 2,700	\$ (27)	\$ 3	
	First lien (3)(11) - Undrawn	—	12/29/2017	12/29/2019	6,671	(58)	8	
					9,371	(85)	11	— %
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2015	7/2/2021	2,100	(21)	—	
	First lien (3)(10)(11) - Undrawn	—	12/20/2017	7/2/2021	13,465	(118)	—	
					15,565	(139)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %
Valet Waste Holdings, Inc.								
Business Services	First lien (3)(10)(11) - Undrawn	—	9/24/2015	9/24/2021	3,150	(39)	—	— %
Ministry Brands, LLC								
Software	First lien (3)(10)(11) - Undrawn	—	12/7/2016	12/2/2022	400	(2)	—	— %
Zywave, Inc.								
Software	First lien (3)(10)(11) - Undrawn	—	11/22/2016	11/17/2022	1,500	(11)	—	— %
Ansira Holdings, Inc.								
Business Services	First lien (3)(11) - Undrawn	—	12/19/2016	12/20/2018	1,700	(9)	(4)	— %
JAMF Holdings, Inc.								
Software	First lien (3)(10)(11) - Undrawn	—	11/13/2017	11/11/2022	750	(8)	(8)	— %
Pathway Partners Vet Management Company LLC								
Consumer Services	Second lien (4)(11) - Undrawn	—	10/4/2017	10/10/2025	1,746	(9)	(9)	— %

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Xactly Corporation								
Software	First lien (3)(10)(11) - Undrawn	—	7/31/2017	7/29/2022	\$ 992	\$ (10)	\$ (10)	—%
Trader Interactive, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13)	(13)	—%
NM GRC Holdco, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	2/9/2018	2/9/2024	11,563	(29)	(29)	—%
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/24/2018	3,448	(13)	(13)	
	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/25/2023	2,586	(23)	(23)	
					<u>6,034</u>	<u>(36)</u>	<u>(36)</u>	—%
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2019	11,584	(29)	(29)	
	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2023	1,737	(17)	(17)	
					<u>13,321</u>	<u>(46)</u>	<u>(46)</u>	(0.01)%
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(10)(11) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	(58)	(0.01)%
<b>Total Unfunded Debt Investments - United States</b>					<b>\$ 76,503</b>	<b>\$ (504)</b>	<b>\$ (202)</b>	<b>(0.02)%</b>
<b>Total Non-Controlled/Non-Affiliated Investments</b>					<b>\$ 1,563,275</b>	<b>\$ 1,583,047</b>	<b>\$ 153.24 %</b>	
<b>Non-Controlled/Affiliated Investments (25)</b>								
<b>Funded Debt Investments - United States</b>								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Energy	Subordinated (3)(10)	14.00% PIK/Q*	10/31/2016	10/15/2021	\$ 2,077	\$ 2,077	\$ 2,077	
	Subordinated (3)(10)(11)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,070	1,070	1,070	
					<u>3,147</u>	<u>3,147</u>	<u>3,147</u>	0.30 %
<b>Total Funded Debt Investments - United States</b>					<b>\$ 3,147</b>	<b>\$ 3,147</b>	<b>\$ 3,147</b>	<b>0.30 %</b>
<b>Equity - United States</b>								
HI Technology Corp.								
Business Services	Preferred shares (3)(10) (21)	—	3/21/2017	—	2,768,000	\$ 105,155	\$ 107,450	10.40 %
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3) (10)	—	6/13/2014	—	—	23,000	23,000	2.23 %
Sierra Hamilton Holdings Corporation								
Energy	Ordinary shares (2)(10)	—	7/31/2017	—	25,000,000	11,501	11,208	
	Ordinary shares (3)(10)	—	7/31/2017	—	2,786,000	1,281	1,248	
						<u>12,782</u>	<u>12,456</u>	1.21 %

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

**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
Permian Holdco 1, Inc.									
Energy	Preferred shares (3)(10) (17)	—	10/31/2016	—	1,616,302	\$ 7,087	\$ 8,890		
	Ordinary shares (3)(10)	—	10/31/2016	—	1,366,452	1,350	786		
						8,437	9,676	0.94 %	
<b>Total Shares - United States</b>						<b>\$ 149,374</b>	<b>\$ 152,582</b>	<b>14.78 %</b>	
<b>Total Funded Investments</b>						<b>\$ 152,521</b>	<b>\$ 155,729</b>	<b>15.08 %</b>	
<b>Total Non-Controlled/Affiliated Investments</b>						<b>\$ 152,521</b>	<b>\$ 155,729</b>	<b>15.08 %</b>	
<b>Controlled Investments (26)</b>									
<b>Funded Debt Investments - United States</b>									
Edmentum Ultimate Holdings, LLC (16)									
Edmentum Inc. (fka Plato, Inc.) (Archipelago Learning Inc.)									
Education	Second lien (3)(10)	7.00% PIK/Q*	2/23/2018	12/9/2021	\$ 10,657	\$ 9,906	\$ 9,859		
	Second lien (3)(10)(11) - Drawn	5.00% PIK/Q*	6/9/2015	6/9/2020	4,881	4,881	4,881		
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,588	4,584	4,588		
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	17,188	17,188	13,751		
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,228	4,228	3,383		
						41,542	40,787	36,462	3.53 %
UniTek Global Services, Inc.									
Business Services	First lien (2)(10)	10.81% (L + 8.50%/Q)	1/13/2015	1/13/2019	10,846	10,846	10,846		
	First lien (2)(10)	10.81% (L + 7.50%/M)	1/13/2015	1/13/2019	799	799	799		
	Subordinated (2)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	2,079	2,079	2,079		
	Subordinated (3)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	1,244	1,244	1,244		
						14,968	14,968	14,968	1.45 %
<b>Total Funded Debt Investments - United States</b>						<b>\$ 56,510</b>	<b>\$ 55,755</b>	<b>\$ 51,430</b>	<b>4.98 %</b>
<b>Equity - Canada</b>									
NM APP Canada Corp.**									
Net Lease	Membership interest (8) (10)	—	9/13/2016	—	—	\$ 7,345	\$ 8,234	0.80 %	
<b>Total Shares - Canada</b>						<b>\$ 7,345</b>	<b>\$ 8,234</b>	<b>0.80 %</b>	
<b>Equity - United States</b>									
NMFC Senior Loan Program II LLC**									
Investment Fund	Membership interest (3) (10)	—	5/3/2016	—	—	\$ 79,400	\$ 79,400	7.69 %	

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**New Mountain Finance Corporation**  
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**(in thousands, except shares)**  
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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(10) (18)	—	1/13/2015	—	22,487,269	\$ 20,107	\$ 20,413	
	Preferred shares (3)(10) (19)	—	6/30/2017	—	11,379,603	11,380	11,380	
	Preferred shares (3)(10) (18)	—	1/13/2015	—	6,214,411	5,557	5,641	
	Ordinary shares (2)(10)	—	1/13/2015	—	2,096,477	1,925	6,787	
	Ordinary shares (3)(10)	—	1/13/2015	—	1,993,749	531	6,454	
						<u>39,500</u>	<u>50,675</u>	4.91 %
NM GLCR LLC								
Net Lease	Membership interest (8) (10)	—	2/1/2018	—	—	14,750	14,750	1.43 %
NM CLFX LP								
Net Lease	Membership interest (8) (10)	—	10/6/2017	—	—	12,538	12,538	1.21 %
NM KRLN LLC								
Net Lease	Membership interest (8) (10)	—	11/15/2016	—	—	7,510	8,328	0.80 %
NM DRVT LLC								
Net Lease	Membership interest (8) (10)	—	11/18/2016	—	—	5,152	5,446	0.53 %
NM APP US LLC								
Net Lease	Membership interest (8) (10)	—	9/13/2016	—	—	5,080	5,206	0.50 %
NM JRA LLC								
Net Lease	Membership interest (8) (10)	—	8/12/2016	—	—	2,043	2,215	0.21 %
Edmentum Ultimate Holdings, LLC (16)								
Education	Ordinary shares (3)(10)	—	6/9/2015	—	123,968	11	84	
	Ordinary shares (2)(10)	—	6/9/2015	—	107,143	9	72	
						<u>20</u>	<u>156</u>	0.02 %
<b>Total Shares - United States</b>						<b>\$ 165,993</b>	<b>\$ 178,714</b>	<b>17.30 %</b>
<b>Total Shares</b>						<b>\$ 173,338</b>	<b>\$ 186,948</b>	<b>18.10 %</b>
<b>Warrants - United States</b>								
Edmentum Ultimate Holdings, LLC (16)								
Education	Warrants (3)(10)	—	2/23/2018	5/5/2026	1,141,846	\$ 769	\$ 769	0.07 %
UniTek Global Services, Inc.								
Business Services	Warrants (3)(10)	—	6/30/2017	12/31/2018	526,925	—	—	— %
<b>Total Warrants - United States</b>						<b>\$ 769</b>	<b>\$ 769</b>	<b>0.07 %</b>
<b>Total Funded Investments</b>						<b>\$ 229,862</b>	<b>\$ 239,147</b>	<b>23.15 %</b>
<b>Unfunded Debt Investments - United States</b>								
UniTek Global Services, Inc.								
Business Services	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	\$ 2,048	\$ —	\$ —	
	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	758	—	—	
					<u>2,806</u>	<u>—</u>	<u>—</u>	— %

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

**New Mountain Finance Corporation**

**Consolidated Schedule of Investments (Continued)**  
**March 31, 2018**  
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<b>Portfolio Company, Location and Industry (1)</b>	<b>Type of Investment</b>	<b>Interest Rate(9)</b>	<b>Acquisition Date</b>	<b>Maturity / Expiration Date</b>	<b>Principal Amount, Par Value or Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
Edmentum Ultimate Holdings, LLC (16)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(10)(11) - Undrawn	—	6/9/2015	6/9/2020	\$ 2,568	\$ —	\$ —	— %
<b>Total Unfunded Debt Investments - United States</b>					<b>\$ 5,374</b>	<b>\$ —</b>	<b>\$ —</b>	<b>— %</b>
<b>Total Controlled Investments</b>						<b>\$ 229,862</b>	<b>\$ 239,147</b>	<b>23.15 %</b>
<b>Total Investments</b>						<b>\$ 1,945,658</b>	<b>\$ 1,977,923</b>	<b>191.47 %</b>

- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7. *Borrowings*, for details.
- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in New Mountain Finance SBIC II, L.P.
- (6) Investment is held in NMF Ancora Holdings, Inc.
- (7) Investment is held in NMF QID NGL Holdings, Inc.
- (8) Investment is held in New Mountain Net Lease Corporation.
- (9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of March 31, 2018.
- (10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (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 Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (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 I, 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 preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.

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

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

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 24,858	\$ —	\$ (24,858)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
HI Technology Corp.	105,155	—	—	—	2,295	107,450	—	3,750	—
NMFC Senior Loan Program I LLC	23,000	—	—	—	—	23,000	—	845	295
Permian Holdco 1, Inc. / Permian Holdco 2, Inc.	12,733	702	—	—	(612)	12,824	102	259	7
Sierra Hamilton Holdings Corporation	12,330	—	—	—	126	12,456	—	—	—
<b>Total Non-Controlled/Affiliated Investments</b>	<b>\$ 178,076</b>	<b>\$ 702</b>	<b>\$ (24,858)</b>	<b>\$ —</b>	<b>\$ 1,809</b>	<b>\$ 155,730</b>	<b>\$ 102</b>	<b>\$ 4,854</b>	<b>\$ 302</b>

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

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

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

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at March 31, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ —	\$ 37,873	\$ —	\$ —	\$ (486)	\$ 37,387	\$ 779	\$ —	\$ 385
NM APP Canada Corp.	7,962	—	—	—	272	8,234	—	184	—
NM APP US LLC	5,138	—	—	—	68	5,206	—	130	—
NM CLFX LP	12,538	—	—	—	—	12,538	—	365	—
NM DRVT LLC	5,385	—	—	—	61	5,446	—	120	—
NM JRA LLC	2,191	—	—	—	24	2,215	—	50	—
NM GLCR LLC	—	14,750	—	—	—	14,750	—	425	—
NM KRLN LLC	8,195	—	—	—	133	8,328	—	345	—
NMFC Senior Loan Program II LLC	79,400	—	—	—	—	79,400	—	2,620	—
UniTek Global Services, Inc.	64,593	1,578	—	—	(528)	65,643	422	1,454	238
<b>Total Controlled Investments</b>	<b>\$ 185,402</b>	<b>\$ 54,201</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (456)</b>	<b>\$ 239,147</b>	<b>\$ 1,201</b>	<b>\$ 5,693</b>	<b>\$ 623</b>

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

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

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**New Mountain Finance Corporation**  
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\*\* Indicates assets that the Company deems to be "non-qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of March 31, 2018, 10.2% of the Company's total investments were non-qualifying assets.

<b>Investment Type</b>	<b>March 31, 2018 Percent of Total Investments at Fair Value</b>
First lien	37.31%
Second lien	39.16%
Subordinated	3.43%
Equity and other	20.10%
<b>Total investments</b>	<b>100.00%</b>

<b>Industry Type</b>	<b>March 31, 2018 Percent of Total Investments at Fair Value</b>
Business Services	32.87%
Software	14.89%
Healthcare Services	13.36%
Education	9.41%
Distribution & Logistics	5.94%
Investment Fund	5.18%
Consumer Services	4.35%
Federal Services	3.91%
Energy	3.74%
Net Lease	2.87%
Healthcare Information Technology	1.72%
Business Products	1.03%
Packaging	0.73%
<b>Total investments</b>	<b>100.00%</b>

<b>Interest Rate Type</b>	<b>March 31, 2018 Percent of Total Investments at Fair Value</b>
Floating rates	87.74%
Fixed rates	12.26%
<b>Total investments</b>	<b>100.00%</b>

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Non-Controlled/Non-Affiliated Investments</b>								
<b>Funded Debt Investments - United Kingdom</b>								
Air Newco LLC**								
Software	Second lien (3)	10.94% (L + 9.50%/Q)	1/30/2015	1/31/2023	\$ 40,000	\$ 39,033	\$ 39,000	3.77 %
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (3)	8.88% (L + 7.50%/Q)	9/25/2017	10/3/2025	40,353	40,056	40,656	3.93 %
<b>Total Funded Debt Investments - United Kingdom</b>					<b>\$ 80,353</b>	<b>\$ 79,089</b>	<b>\$ 79,656</b>	<b>7.70 %</b>
<b>Funded Debt Investments - United States</b>								
AmWINS Group, Inc.								
Business Services	Second lien (3)	8.32% (L + 6.75%/M)	1/19/2017	1/25/2025	\$ 57,000	\$ 56,804	\$ 57,606	5.57 %
Alegeus Technologies, LLC								
Healthcare Services	Second lien (3)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	23,500	23,500	23,500	
	Second lien (4)(10)	10.19% (L + 8.50%/Q)	4/28/2017	10/30/2023	22,500	22,500	22,500	
					46,000	46,000	46,000	4.44 %
PetVet Care Centers LLC								
Consumer Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	6/8/2017	6/8/2023	34,527	34,409	34,872	
	First lien (3)(10)(11) - Drawn	7.55% (L + 6.00%/Q)	6/8/2017	6/8/2023	8,646	8,616	8,733	
	First lien (3)(10)(11) - Drawn	9.50% (P + 5.00%/Q)	6/8/2017	6/8/2023	2,200	2,192	2,200	
					45,373	45,217	45,805	4.43 %
Integro Parent Inc.								
Business Services	First lien (2)	7.16% (L + 5.75%/Q)	10/9/2015	10/31/2022	34,873	34,601	34,786	
	Second lien (3)	10.63% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,920	9,800	
					44,873	44,521	44,586	4.31 %
Severin Acquisition, LLC								
Software	Second lien (4)(10)	10.32% (L + 8.75%/M)	7/31/2015	7/29/2022	15,000	14,891	15,000	
	Second lien (3)(10)	10.32% (L + 8.75%/M)	2/1/2017	7/29/2022	14,518	14,361	14,518	
	Second lien (4)(10)	10.32% (L + 8.75%/M)	11/5/2015	7/29/2022	4,154	4,123	4,154	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	2/1/2016	7/29/2022	3,273	3,248	3,273	
	Second lien (3)(10)	10.57% (L + 9.00%/M)	10/14/2016	7/29/2022	2,361	2,341	2,361	
	Second lien (3)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	1,825	1,810	1,825	
	Second lien (4)(10)	10.82% (L + 9.25%/M)	8/8/2016	7/29/2022	300	298	300	
					41,431	41,072	41,431	4.00 %
Salient CRGT Inc.								
Federal Services	First lien (2)	7.32% (L + 5.75%/M)	1/6/2015	2/28/2022	40,894	40,421	41,251	3.99 %
Tenawa Resource Holdings LLC (13)								
Tenawa Resource Management LLC								
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,900	39,835	39,900	3.86 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
VetCor Professional Practices LLC								
Consumer Services	First lien (4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	\$ 19,111	\$ 18,996	\$ 19,134	
	First lien (2)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	7,714	7,603	7,724	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	2/24/2017	4/20/2021	6,005	5,891	6,013	
	First lien (4)	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	2,650	2,632	2,654	
	First lien (2)	7.69% (L + 6.00%/Q)	6/24/2016	4/20/2021	1,632	1,606	1,634	
	First lien (4)	7.69% (L + 6.00%/Q)	3/31/2016	4/20/2021	495	487	496	
	First lien (3)(11) - Drawn	7.69% (L + 6.00%/Q)	5/15/2015	4/20/2021	1,426	1,412	1,428	
					39,033	38,627	39,083	3.78 %
Frontline Technologies Group Holdings, LLC								
Education	First lien (2)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	16,750	16,629	16,625	
	First lien (4)(10)	8.09% (L + 6.50%/Q)	9/18/2017	9/18/2023	22,613	22,450	22,444	
					39,363	39,079	39,069	3.77 %
Kronos Incorporated								
Software	Second lien (2)	9.63% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,508	37,449	3.62 %
Valet Waste Holdings, Inc.								
Business Services	First lien (2)(10)	8.57% (L + 7.00%/M)	9/24/2015	9/24/2021	29,325	29,078	29,325	
	First lien (2)(10)	8.57% (L + 7.00%/M)	7/27/2017	9/24/2021	3,731	3,697	3,731	
					33,056	32,775	33,056	3.19 %
Evo Payments International, LLC								
Business Services	Second lien (2)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	25,000	24,824	25,250	
	Second lien (3)	10.57% (L + 9.00%/M)	12/8/2016	12/23/2024	5,000	5,052	5,050	
					30,000	29,876	30,300	2.93 %
Wirepath LLC								
Distribution & Logistics	First lien (2)	6.87% (L + 5.25%/Q)	7/31/2017	8/5/2024	27,731	27,598	28,112	2.72 %
Ansira Holdings, Inc.								
Business Services	First lien (2)	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	25,920	25,809	25,855	
	First lien (3)(11) - Drawn	8.19% (L + 6.50%/Q)	12/19/2016	12/20/2022	2,107	2,097	2,102	
					28,027	27,906	27,957	2.70 %
TW-NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (4)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	21,500	21,301	21,646	
	Second lien (3)(10)	10.95% (L + 9.25%/Q)	7/14/2015	7/14/2022	5,800	5,737	5,839	
					27,300	27,038	27,485	2.66 %
Navicure, Inc.								
Healthcare Services	Second lien (3)	8.86% (L + 7.50%/M)	10/23/2017	10/31/2025	26,952	26,819	27,154	2.62 %
Trader Interactive, LLC								
Business Services	First lien (2)(10)	7.50% (L + 6.00%/M)	6/15/2017	6/17/2024	27,190	26,999	26,986	2.61 %
Marketo, Inc.								
Software	First lien (3)(10)	11.19% (L + 9.50%/Q)	8/16/2016	8/16/2021	26,820	26,509	26,820	2.59 %
Keystone Acquisition Corp.								
Healthcare Services	First lien (2)	6.94% (L + 5.25%/Q)	5/10/2017	5/1/2024	19,950	19,764	20,087	
	Second lien (3)	10.94% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,457	4,511	
					24,450	24,221	24,598	2.38 %

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iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	8/4/2015	8/4/2022	\$ 17,589	\$ 17,464	\$ 17,589	
	First lien (4)(10)	7.74% (L + 6.25%/M)	6/16/2017	8/4/2022	4,577	4,556	4,554	
	First lien (2)(10)	7.74% (L + 6.25%/M)	9/25/2017	8/4/2022	1,161	1,155	1,155	
	First lien (4)(10)	7.74% (L + 6.25%/M)	9/25/2017	8/4/2022	511	508	508	
					<u>23,838</u>	<u>23,683</u>	<u>23,806</u>	2.30 %
AAC Holding Corp.								
Education	First lien (2)(10)	9.62% (L + 8.25%/M)	9/30/2015	9/30/2020	23,161	22,953	23,161	2.24 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(10)	8.06% (L + 6.50%/M)	8/25/2017	8/25/2023	22,869	22,679	22,669	2.19 %
TWDiamondback Holdings Corp. (15)								
Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)								
Distribution & Logistics	First lien (4)(10)	10.49% (L + 8.75%/Q)	11/19/2014	11/19/2019	19,895	19,895	19,895	
	First lien (3)(10)	10.44% (L + 8.75%/Q)	11/19/2014	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	10.44% (L + 8.75%/Q)	11/19/2014	11/19/2019	605	605	605	
					<u>22,658</u>	<u>22,658</u>	<u>22,658</u>	2.19 %
EN Engineering, LLC								
Business Services	First lien (2)(10)	7.69% (L + 6.00%/Q)	7/30/2015	6/30/2021	20,893	20,760	20,893	
	First lien (2)(10)	7.69% (L + 6.00%/Q)	7/30/2015	6/30/2021	1,208	1,200	1,208	
					<u>22,101</u>	<u>21,960</u>	<u>22,101</u>	2.14 %
Avatar Topco, Inc (23)								
EAB Global, Inc.								
Education	Second lien (3)	8.99% (L + 7.50%/M)	11/17/2017	11/17/2025	21,450	21,132	21,236	2.05 %
DigiCert Holdings, Inc.								
Business Services	Second lien (3)	9.38% (L + 8.00%/Q)	9/20/2017	10/31/2025	20,176	20,077	20,347	1.97 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (3)	9.20% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,315	19,744	1.91 %
ABILITY Network Inc.								
Healthcare Information Technology	Second lien (3)	9.21% (L + 7.75%/M)	12/11/2017	12/12/2025	18,851	18,839	18,945	1.83 %
KeyPoint Government Solutions, Inc.								
Federal Services	First lien (2)(10)	7.35% (L + 6.00%/Q)	4/18/2017	4/18/2024	18,413	18,243	18,597	1.80 %
AgKnowledge Holdings Company, Inc.								
Business Services	Second lien (2)(10)	9.82% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,409	18,500	1.79 %
VF Holding Corp.								
Software	Second lien (3)(10)	10.57% (L + 9.00%/M)	7/7/2016	6/28/2024	17,086	17,396	17,598	1.70 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (2)(10)	6.94% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,453	17,344	17,453	1.69 %
OEConnection LLC								
Business Services	Second lien (3)	9.69% (L + 8.00%/Q)	11/22/2017	11/22/2025	16,841	16,548	16,841	1.63 %
TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,714	16,378	1.58 %
American Tire Distributors, Inc.								
Distribution & Logistics	Subordinated (3)	10.25%/S	2/10/2015	3/1/2022	15,520	15,267	16,063	1.55 %

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<b>Hill International, Inc.**</b>								
Business Services	First lien (2)(10)	7.32% (L + 5.75%/M)	6/21/2017	6/21/2023	\$ 15,721	\$ 15,648	\$ 15,642	1.51 %
<b>Netsmart Inc. / Netsmart Technologies, Inc.</b>								
Healthcare Information Technology	Second lien (2)	10.98% (L + 9.50%/Q)	4/18/2016	10/19/2023	15,000	14,686	15,075	1.46 %
<b>Transcendia Holdings, Inc.</b>								
Packaging	Second lien (3)	9.57% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,309	14,391	1.39 %
<b>SW Holdings, LLC</b>								
Business Services	Second lien (4)(10)	10.44% (L + 8.75%/Q)	6/30/2015	12/30/2021	14,265	14,167	14,331	1.38 %
<b>Peraton Holding Corp. (fka MHVC Acquisition Corp.)</b>								
Federal Services	First lien (2)	6.95% (L + 5.25%/Q)	4/25/2017	4/29/2024	14,030	13,987	14,135	1.37 %
<b>Ministry Brands, LLC</b>								
Software	First lien (3)	6.38% (L + 5.00%/Q)	12/7/2016	12/2/2022	2,993	2,980	2,993	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/M)	12/7/2016	12/2/2022	1,000	995	1,000	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	7,840	7,788	7,840	
	Second lien (3)(10)	10.63% (L + 9.25%/Q)	12/7/2016	6/2/2023	2,160	2,146	2,160	
					<u>13,993</u>	<u>13,909</u>	<u>13,993</u>	1.35 %
<b>nThrive, Inc. (fka Precyse Acquisition Corp.)</b>								
Healthcare Services	Second lien (2)(10)	11.32% (L + 9.75%/M)	4/19/2016	4/20/2023	13,000	12,813	12,702	1.23 %
<b>FR Arsenal Holdings II Corp.</b>								
Business Services	First lien (2)(10)	8.81% (L + 7.25%/Q)	9/29/2016	9/8/2022	12,356	12,252	12,373	1.19 %
<b>Amerijet Holdings, Inc.</b>								
Distribution & Logistics	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	10,403	10,344	10,458	
	First lien (4)(10)	9.57% (L + 8.00%/M)	7/15/2016	7/15/2021	1,734	1,724	1,743	
					<u>12,137</u>	<u>12,068</u>	<u>12,201</u>	1.18 %
<b>SSH Group Holdings, Inc.</b>								
Education	First lien (2)(10)	6.69% (L + 5.00%/Q)	10/13/2017	10/2/2024	8,407	8,366	8,365	
	Second lien (3)(10)	10.69% (L + 9.00%/Q)	10/13/2017	10/2/2025	3,363	3,330	3,329	
					<u>11,770</u>	<u>11,696</u>	<u>11,694</u>	1.13 %
<b>ProQuest LLC</b>								
Business Services	Second lien (3)	10.55% (L + 9.00%/M)	12/14/2015	12/15/2022	11,620	11,440	11,620	1.12 %
<b>Xactly Corporation</b>								
Software	First lien (4)(10)	8.82% (L + 7.25%/M)	7/31/2017	7/29/2022	11,600	11,492	11,484	1.11 %
<b>Zywave, Inc.</b>								
Software	Second lien (4)(10)	10.42% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,927	11,011	
	First lien (3)(10)(11) - Drawn	8.50% (P + 4.00%/Q)	11/22/2016	11/17/2022	200	199	200	
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/Q)	11/22/2016	11/17/2022	250	248	250	
					<u>11,450</u>	<u>11,374</u>	<u>11,461</u>	1.11 %
<b>QC McKissock Investment, LLC (14)</b>								
<b>McKissock, LLC</b>								
Education	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	6,415	6,386	6,415	
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	3,058	3,046	3,058	
	First lien (2)(10)	7.94% (L + 6.25%/Q)	8/6/2014	8/5/2021	987	983	987	
					<u>10,460</u>	<u>10,415</u>	<u>10,460</u>	1.01 %

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Masergy Holdings, Inc.								
Business Services	Second lien (2)	10.19% (L + 8.50%/Q)	12/14/2016	12/16/2024	\$ 10,000	\$ 9,943	\$ 10,144	0.98 %
Idera, Inc.								
Software	Second lien (4)	10.57% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,856	10,100	0.97 %
Quest Software US Holdings Inc.								
Software	First lien (2)	6.92% (L + 5.50%/Q)	10/31/2016	10/31/2022	9,899	9,775	10,071	0.97 %
PowerPlan Holdings, Inc.								
Software	Second lien (2)(10)	10.57% (L + 9.00%/M)	2/23/2015	2/23/2023	10,000	9,927	10,000	0.97 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	7.07% (L + 5.50%/M)	2/22/2017	8/16/2022	9,813	9,534	9,512	0.92 %
Pelican Products, Inc.								
Business Products	Second lien (2)	9.94% (L + 8.25%/Q)	4/9/2014	4/9/2021	9,500	9,533	9,500	0.92 %
J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	10.19% (L + 8.50%/Q)	6/9/2016	9/7/2024	9,333	9,230	9,473	0.91 %
Harley Marine Services, Inc.								
Distribution & Logistics	Second lien (2)	10.63% (L + 9.25%/Q)	12/18/2013	12/20/2019	9,000	8,929	8,955	0.86 %
JAMF Holdings, Inc.								
Software	First lien (3)(10)	9.41% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,672	8,670	0.84 %
Autodata, Inc. (Autodata Solutions, Inc.)								
Business Services	Second lien (3)	8.82% (L + 7.25%/Q)	12/12/2017	12/12/2025	7,406	7,387	7,387	0.71 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (3)	9.09% (L + 7.50%/Q)	8/16/2017	9/15/2025	7,000	6,932	7,048	0.68 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	7.14% (L + 5.75%/M)	1/3/2017	1/5/2024	6,844	6,783	6,880	0.66 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,791	5,650	0.55 %
Pathway Partners Vet Management Company LLC								
Consumer Services	Second lien (4)	9.57% (L + 8.00%/M)	10/4/2017	10/10/2025	5,556	5,527	5,527	0.53 %
Applied Systems, Inc.								
Software	Second lien (3)	8.69% (L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,106	0.49 %
ADG, LLC								
Healthcare Services	Second lien (3)(10)	10.57% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,934	5,038	0.49 %
Vencore, Inc. (fka The SI Organization Inc.)								
Federal Services	Second lien (3)	10.44% (L + 8.75%/Q)	6/14/2016	5/23/2020	4,400	4,350	4,450	0.43 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(10)	7.59% (L + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,302	4,301	0.41 %
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,940	0.28 %
Ensemble S Merger Sub, Inc.								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,946	2,125	0.20 %

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Education Management Corporation (12)								
Education Management II LLC								
Education	First lien (2)	5.85% (L + 4.50%/Q)	1/5/2015	7/2/2020	\$ 211	\$ 205	\$ 82	
	First lien (3)	5.85% (L + 4.50%/Q)	1/5/2015	7/2/2020	119	116	46	
	First lien (2)	8.85% (L + 7.50%/Q)	1/5/2015	7/2/2020	475	437	10	
	First lien (3)	8.85% (L + 7.50%/Q)	1/5/2015	7/2/2020	268	247	6	
					<u>1,073</u>	<u>1,005</u>	<u>144</u>	0.01 %
<b>Total Funded Debt Investments - United States</b>					<b>\$ 1,319,560</b>	<b>\$ 1,309,577</b>	<b>\$ 1,325,328</b>	<b>128.05 %</b>
<b>Total Funded Debt Investments</b>					<b>\$ 1,399,913</b>	<b>\$ 1,388,666</b>	<b>\$ 1,404,984</b>	<b>135.75 %</b>
<b>Equity - Hong Kong</b>								
Bach Special Limited (Bach Preference Limited)**								
Education	Preferred shares (3)(10) (22)	—	9/1/2017	—	58,868	\$ 5,807	\$ 5,806	0.56 %
<b>Total Shares - Hong Kong</b>					<b>\$ 5,807</b>	<b>\$ 5,806</b>	<b>\$ 5,806</b>	<b>0.56 %</b>
<b>Equity - United States</b>								
Avatar Topco, Inc. (23)								
Education	Preferred shares (3)(10) (23)	—	11/17/2017	—	35,750	\$ 35,220	\$ 35,204	3.40 %
Tenawa Resource Holdings LLC (13)								
QID NGL LLC								
Energy	Ordinary shares (7)(10)	—	5/12/2014	—	5,290,997	5,291	8,154	
	Preferred shares (7)(10)	—	10/30/2017	—	620,706	621	1,007	
						<u>5,912</u>	<u>9,161</u>	0.88 %
TWDiamondback Holdings Corp. (15)								
Distribution & Logistics	Preferred shares (4)(10)	—	11/19/2014	—	200	2,000	4,508	0.44 %
TW-NHME Holdings Corp. (20)								
Healthcare Services	Preferred shares (4)(10)	—	7/14/2015	—	100	1,000	944	
	Preferred shares (4)(10)	—	1/5/2016	—	16	158	149	
	Preferred shares (4)(10)	—	6/30/2016	—	6	68	58	
						<u>1,226</u>	<u>1,151</u>	0.11 %
Ancora Acquisition LLC								
Education	Preferred shares (6)(10)	—	8/12/2013	—	372	83	393	0.04 %
Education Management Corporation (12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	10	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	6	
						<u>469</u>	<u>16</u>	0.00 %
<b>Total Shares - United States</b>					<b>\$ 44,910</b>	<b>\$ 50,433</b>	<b>\$ 50,433</b>	<b>4.87 %</b>
<b>Total Shares</b>					<b>\$ 50,717</b>	<b>\$ 56,239</b>	<b>\$ 56,239</b>	<b>5.43 %</b>

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<b>Warrants - United States</b>									
ASP LCG Holdings, Inc.									
Education	Warrants (3)(10)	—	5/5/2014	5/5/2026	622	\$ 37	\$ 1,089	0.11 %	
Ancora Acquisition LLC									
Education	Warrants (6)(10)	—	8/12/2013	8/12/2020	20	—	—	— %	
YP Equity Investors, LLC									
Media	Warrants (5)(10)	—	5/3/2012	5/8/2022	5	—	—	— %	
<b>Total Warrants - United States</b>						<b>\$ 37</b>	<b>\$ 1,089</b>	<b>0.11 %</b>	
<b>Total Funded Investments</b>						<b>\$ 1,439,420</b>	<b>\$ 1,462,312</b>	<b>141.29 %</b>	
<b>Unfunded Debt Investments - United States</b>									
PetVet Care Centers LLC									
Consumer Services	First lien (3)(10)(11) - Undrawn	—	6/8/2017	6/8/2019	\$ 4,439	\$ (16)	\$ 44	0.00 %	
VetCor Professional Practices LLC									
Consumer Services	First lien (3)(11) - Undrawn	—	5/15/2015	4/20/2021	1,274	(13)	2		
	First lien (3)(11) - Undrawn	—	12/29/2017	12/29/2019	8,552	(75)	11		
						<u>9,826</u>	<u>(88)</u>	<u>13</u>	0.00 %
DCA Investment Holding, LLC									
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2015	7/2/2021	2,100	(21)	—		
	First lien (3)(10)(11) - Undrawn	—	12/20/2017	12/20/2019	13,465	(118)	—		
						<u>15,565</u>	<u>(139)</u>	<u>—</u>	— %
iPipeline, Inc. (Internet Pipeline, Inc.)									
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %	
Valet Waste Holdings, Inc.									
Business Services	First lien (3)(10)(11) - Undrawn	—	9/24/2015	9/24/2021	3,750	(47)	—	— %	
Zywave, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	11/22/2016	11/17/2022	1,550	(12)	—	— %	
Marketo, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	8/16/2016	8/16/2021	1,788	(27)	—	— %	
Ansira Holdings, Inc.									
Business Services	First lien (3)(11) - Undrawn	—	12/19/2016	12/20/2018	1,700	(9)	(4)	(0.00)%	
JAMF Holdings, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	11/13/2017	11/11/2022	750	(8)	(8)	(0.00)%	
Xactly Corporation									
Software	First lien (3)(10)(11) - Undrawn	—	7/31/2017	7/29/2022	992	(10)	(10)	(0.00)%	
Pathway Partners Vet Management Company LLC									
Consumer Services	Second lien (4)(11) - Undrawn	—	10/4/2017	10/10/2019	2,444	(12)	(12)	(0.00)%	

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

**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**December 31, 2017**  
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Trader Interactive, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2017	6/15/2023	\$ 1,673	\$ (13)	\$ (13)	(0.00)%
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/24/2018	3,448	(13)	(13)	
	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/25/2023	2,586	(23)	(23)	
					<u>6,034</u>	<u>(36)</u>	<u>(36)</u>	(0.00)%
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2019	11,584	(29)	(29)	
	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	(17)	
					<u>13,322</u>	<u>(46)</u>	<u>(46)</u>	(0.00)%
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(10)(11) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	(58)	(0.01)%
<b>Total Unfunded Debt Investments - United States</b>					<b>\$ 72,571</b>	<b>\$ (531)</b>	<b>\$ (130)</b>	<b>(0.01)%</b>
<b>Total Non-Controlled/Non-Affiliated Investments</b>						<b>\$ 1,438,889</b>	<b>\$ 1,462,182</b>	<b>141.28 %</b>
<b>Non-Controlled/Affiliated Investments (24)</b>								
<b>Funded Debt Investments - United States</b>								
Edmentum Ultimate Holdings, LLC (16) Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(10)(11) - Drawn	5.00%/M	6/9/2015	6/9/2020	\$ 3,172	\$ 3,172	\$ 3,172	
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,491	4,486	4,491	
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	16,760	16,760	13,408	
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,123	4,123	3,298	
					<u>28,546</u>	<u>28,541</u>	<u>24,369</u>	2.36 %
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Energy	Subordinated (3)(10)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,007	2,007	2,007	
	Subordinated (3)(10)(11) - Drawn	14.00% PIK/Q*	10/31/2016	10/15/2021	696	696	696	
					<u>2,703</u>	<u>2,703</u>	<u>2,703</u>	0.26 %
<b>Total Funded Debt Investments - United States</b>					<b>\$ 31,249</b>	<b>\$ 31,244</b>	<b>\$ 27,072</b>	<b>2.62 %</b>
<b>Equity - United States</b>								
HI Technology Corp.								
Business Services	Preferred shares (3)(10) (21)	—	3/21/2017	—	2,768,000	\$ 105,155	\$ 105,155	10.16 %
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3) (10)	—	6/13/2014	—	—	23,000	23,000	2.22 %

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



**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**December 31, 2017**  
(in thousands, except shares)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
Sierra Hamilton Holdings Corporation									
Energy	Ordinary shares (2)(10)	—	7/31/2017	—	25,000,000	\$ 11,501	\$ 11,094		
	Ordinary shares (3)(10)	—	7/31/2017	—	2,786,000	1,281	1,236		
						<u>12,782</u>	<u>12,330</u>	1.19 %	
Permian Holdco 1, Inc.									
Energy	Preferred shares (3)(10) (17)	—	10/31/2016	—	1,569,226	6,829	8,631		
	Ordinary shares (3)(10)	—	10/31/2016	—	1,366,452	1,350	1,399		
						<u>8,179</u>	<u>10,030</u>	0.97 %	
Edmentum Ultimate Holdings, LLC (16)									
Education	Ordinary shares (3)(10)	—	6/9/2015	—	123,968	11	262		
	Ordinary shares (2)(10)	—	6/9/2015	—	107,143	9	227		
						<u>20</u>	<u>489</u>	0.05 %	
<b>Total Shares - United States</b>						<b>\$ 149,136</b>	<b>\$ 151,004</b>	<b>14.59 %</b>	
<b>Total Funded Investments</b>						<b>\$ 180,380</b>	<b>\$ 178,076</b>	<b>17.21 %</b>	
<b>Unfunded Debt Investments - United States</b>									
Edmentum Ultimate Holdings, LLC (16)									
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)									
Education	Second lien (3)(10)(11) - Undrawn	—	6/9/2015	6/9/2020	\$ 1,709	\$ —	\$ —	— %	
Permian Holdco 1, Inc.									
Permian Holdco 2, Inc.									
Energy	Subordinated (3)(10)(11) - Undrawn	—	10/31/2016	10/15/2021	342	—	—	— %	
<b>Total Unfunded Debt Investments - United States</b>						<b>\$ 2,051</b>	<b>\$ —</b>	<b>\$ —</b>	<b>— %</b>
<b>Total Non-Controlled/Affiliated Investments</b>						<b>\$ 180,380</b>	<b>\$ 178,076</b>	<b>17.21 %</b>	
<b>Controlled Investments(25)</b>									
<b>Funded Debt Investments - United States</b>									
UniTek Global Services, Inc.									
Business Services	First lien (2)(10)	10.20% (L + 8.50%/Q)	1/13/2015	1/13/2019	\$ 10,846	\$ 10,846	\$ 10,846		
	First lien (2)(10)	9.84% (L + 7.50% + 1.00% PIK/Q)*	1/13/2015	1/13/2019	797	797	797		
	Subordinated (2)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	2,003	2,003	2,003		
	Subordinated (3)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	1,198	1,198	1,198		
					<u>14,844</u>	<u>14,844</u>	<u>14,844</u>	1.43 %	
<b>Total Funded Debt Investments - United States</b>						<b>\$ 14,844</b>	<b>\$ 14,844</b>	<b>\$ 14,844</b>	<b>1.43 %</b>
<b>Equity - Canada</b>									
NM APP Canada Corp.**									
Net Lease	Membership interest (8) (10)	—	9/13/2016	—	—	\$ 7,345	\$ 7,962	0.77 %	
<b>Total Shares - Canada</b>						<b>\$ 7,345</b>	<b>\$ 7,962</b>	<b>0.77 %</b>	

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

**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**December 31, 2017**  
**(in thousands, except shares)**

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
<b>Equity - United States</b>								
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3) (10)	—	5/3/2016	—	—	\$ 79,400	\$ 79,400	7.67 %
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(10) (18)	—	1/13/2015	—	21,753,102	19,373	19,288	
	Preferred shares (3)(10) (18)	—	1/13/2015	—	6,011,522	5,353	5,330	
	Preferred shares (3)(10) (19)	—	6/30/2017	—	10,863,583	10,864	10,864	
	Ordinary shares (2)(10)	—	1/13/2015	—	2,096,477	1,925	7,313	
	Ordinary shares (3)(10)	—	1/13/2015	—	1,993,749	531	6,954	
						<u>38,046</u>	<u>49,749</u>	4.81 %
NM CLFX LP								
Net Lease	Membership interest (8) (10)	—	10/6/2017	—	—	12,538	12,538	1.21 %
NM KRLN LLC								
Net Lease	Membership interest (8) (10)	—	11/15/2016	—	—	7,510	8,195	0.79 %
NM DRVT LLC								
Net Lease	Membership interest (8) (10)	—	11/18/2016	—	—	5,152	5,385	0.52 %
NM APP US LLC								
Net Lease	Membership interest (8) (10)	—	9/13/2016	—	—	5,080	5,138	0.50 %
NM JRA LLC								
Net Lease	Membership interest (8) (10)	—	8/12/2016	—	—	2,043	2,191	0.21 %
<b>Total Shares - United States</b>						<b>\$ 149,769</b>	<b>\$ 162,596</b>	<b>15.71 %</b>
<b>Total Shares</b>						<b>\$ 157,114</b>	<b>\$ 170,558</b>	<b>16.48 %</b>
<b>Warrants - United States</b>								
UniTek Global Services, Inc.								
Business Services	Warrants (3)(10)	—	6/30/2017	12/31/2018	526,925	\$ —	\$ —	— %
<b>Total Warrants - United States</b>						<b>\$ —</b>	<b>\$ —</b>	<b>— %</b>
<b>Total Funded Investments</b>						<b>\$ 171,958</b>	<b>\$ 185,402</b>	<b>17.91 %</b>
<b>Unfunded Debt Investments - United States</b>								
UniTek Global Services, Inc.								
Business Services	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	\$ 2,048	\$ —	\$ —	
	First lien (3)(10)(11) - Undrawn	—	1/13/2015	1/13/2019	758	—	—	
					<u>2,806</u>	<u>—</u>	<u>—</u>	— %
<b>Total Unfunded Debt Investments - United States</b>						<b>\$ 2,806</b>	<b>\$ —</b>	<b>— %</b>
<b>Total Controlled Investments</b>						<b>\$ 171,958</b>	<b>\$ 185,402</b>	<b>17.91 %</b>
<b>Total Investments</b>						<b>\$ 1,791,227</b>	<b>\$ 1,825,660</b>	<b>176.4 %</b>

(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.



**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**December 31, 2017**  
**(in thousands, except shares)**

- (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 December 31, 2017.
- (10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (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 Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (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 preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (23) The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.

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

New Mountain Finance Corporation

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

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

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

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

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

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

Portfolio Company	Fair Value at December 31, 2016	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2017	Interest Income	Dividend Income	Other Income
New Mountain Net Lease Corporation	\$ 27,000	\$ —	\$ (27,000)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
NM APP CANADA CORP	—	7,345	—	—	617	7,962	—	911	—
NM APP US LLC	—	5,080	—	—	58	5,138	—	594	—
NM CLFX LP	—	12,538	—	—	—	12,538	—	341	—
NM DRVT LLC	—	5,152	—	—	233	5,385	—	520	—
NM JRA LLC	—	2,043	—	—	148	2,191	—	232	—
NM KRLN LLC	—	7,510	—	—	685	8,195	—	736	—
NMFC Senior Loan Program II LLC	71,460	7,940	—	—	—	79,400	—	12,406	—
UniTek Global Services, Inc.	56,361	14,777	(4,006)	—	(2,539)	64,593	1,709	4,415	819
<b>Total Controlled Investments</b>	<b>\$ 154,821</b>	<b>\$ 62,385</b>	<b>\$ (31,006)</b>	<b>\$ —</b>	<b>\$ (798)</b>	<b>\$ 185,402</b>	<b>\$ 1,709</b>	<b>\$ 20,155</b>	<b>\$ 819</b>

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

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

\*\* Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2017, 11.0% of the Company’s total investments were non-qualifying assets.

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

**New Mountain Finance Corporation**  
**Consolidated Schedule of Investments (Continued)**  
**December 31, 2017**  
**(in thousands, except shares)**

	<b>December 31, 2017</b>
<b>Investment Type</b>	<b>Percent of Total</b>
	<b>Investments at Fair Value</b>
First lien	37.1
Second lien	37.1
Subordinated	3.1
Equity and other	20.7
Total investments	100.0

  

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

  

	<b>December 31, 2017</b>
<b>Interest Rate Type</b>	<b>Percent of Total</b>
	<b>Investments at Fair Value</b>
Floating rates	87.48%
Fixed rates	12.52%
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, 2018**

**(in thousands, except share data)**

(unaudited)

**Note 1. Formation and Business Purpose**

New Mountain Finance Corporation (“NMFC” or the “Company”) is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering (“IPO”) on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). 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, 2018, NMFC raised approximately \$614,581 in net proceeds from additional offerings of its common stock.

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

The Company’s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the “last out” tranche. In some cases, the Company’s investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC I and SBIC II’s investment objective is to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I and SBIC II’s investments must be in SBA eligible small businesses. The Company’s portfolio may be concentrated in a limited number of industries. As of March 31, 2018, the

Company's top five industry concentrations were business services, software, healthcare services, education and distribution & logistics.

## **Note 2. Summary of Significant Accounting Policies**

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

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

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

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

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

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



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- (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***

NMNLN was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLN's investments are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2018.

Below is certain summarized property information for NMNLN as of March 31, 2018:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of March 31, 2018
NM GLCR LLC	Artic Glacier U.S.A.	2/28/2038	Los Angeles, CA/ San Diego, CA/ Bakersfield, CA/ East Bay, CA	214	\$ 14,750
NM CLFX LP	Victor Equipment Company	08/31/2033	Denton, TX	423	12,538
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	8,328
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	8,234
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,446
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL/Cleveland, OH	261	5,206
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,215
					<b>\$ 56,717</b>

***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, 2018 and December 31, 2017, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a carrying value of \$25,200 and \$25,212, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

**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, 2018 and December 31, 2017.

**Revenue recognition**

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

**Interest and dividend income:** Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three months ended March 31, 2018 and March 31, 2017, the Company recognized PIK and non-cash interest from investments of \$1,674 and \$868, respectively, and PIK and non-cash dividends from investments of \$6,787 and \$1,477, respectively.

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

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

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

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

**Deferred financing costs**—The deferred financing costs of the Company 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, 2018 and March 31, 2017, the Company recognized a total income tax benefit of approximately \$66 and \$675, respectively, for the Company's consolidated subsidiaries. For the three months ended March 31, 2018 and March 31, 2017, the Company recorded current income tax expense of approximately \$16 and \$80, respectively, and deferred income tax benefit of approximately \$82 and \$755, respectively.

As of March 31, 2018 and December 31, 2017, the Company had \$812 and \$894, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

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

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

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

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

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

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

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

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

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

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

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

**Note 3. Investments**

At March 31, 2018, the Company's investments consisted of the following:

**Investment Cost and Fair Value by Type**

	<b>Cost</b>	<b>Fair Value</b>
First lien	\$ 734,071	\$ 738,027
Second lien	766,631	774,515
Subordinated	69,223	67,918
Equity and other	375,733	397,463
<b>Total investments</b>	<b>\$ 1,945,658</b>	<b>\$ 1,977,923</b>

**Investment Cost and Fair Value by Industry**

	<b>Cost</b>	<b>Fair Value</b>
Business Services	\$ 633,138	\$ 650,179
Software	287,848	294,622
Healthcare Services	264,881	264,355
Education	190,454	186,089
Distribution & Logistics	113,409	117,396
Investment Fund	102,400	102,400
Consumer Services	85,204	86,145
Federal Services	75,765	77,273
Energy	70,015	73,904
Net Lease	54,418	56,717
Healthcare Information Technology	33,534	34,008
Business Products	20,279	20,444
Packaging	14,313	14,391
Total investments	<u>\$ 1,945,658</u>	<u>\$ 1,977,923</u>

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

**Investment Cost and Fair Value by Type**

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

**Investment Cost and Fair Value by Industry**

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

During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of March 31, 2018, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of \$1,004, an aggregate fair value of \$89 and total unearned interest income of \$67 for the three months then ended.

During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, the Company's investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27,231, an aggregate fair value of \$12,725 and total unearned interest income of \$1,388 for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Sierra. Prior to the extinguishment in July 2017, the Company's original investment in Sierra had an aggregate cost of \$27,307, an aggregate fair value of \$12,858 and total unearned interest income of \$1,687. The extinguishment resulted in a realized loss of \$14,449. As a result of the restructuring, the Company received common shares in Sierra Hamilton Holding Corporation. As of March 31, 2018, the Company's investment has an aggregate cost basis of \$12,782 and an aggregate fair value of \$12,456.

As of March 31, 2018, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,963 and \$0, respectively. As of March 31, 2018, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$57,915. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2018.

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

#### ***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 had a three year re-investment period. In June 2017, the re-investment period was extended for one additional year. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of March 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$351,541, debt outstanding of \$235,367 and capital that had been called and funded of \$93,000. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348,652, debt outstanding of \$223,667 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2018 and March 31, 2017, the Company earned approximately \$295 and \$290, respectively, in management fees related to SLP I, which is included in other income. As of March 31, 2018 and December 31, 2017, approximately \$586 and \$291, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2018 and March 31, 2017, the Company earned approximately \$845 and \$1,004, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$939 and \$836, 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

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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 were completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of March 31, 2018, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600, respectively, of equity to SLP II. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility will bear interest at a rate of LIBOR plus 1.60% per annum. As of March 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$372,099 and \$382,534, respectively, and debt outstanding under its credit facility of \$255,070 and \$266,270, respectively. As of March 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of March 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5,906 and \$4,863, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of March 31, 2018 and December 31, 2017:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
First lien investments (1)	376,233	386,100
Weighted average interest rate on first lien investments (2)	6.36%	6.05%
Number of portfolio companies in SLP II	32	35
Largest portfolio company investment (1)	17,281	17,369
Total of five largest portfolio company investments (1)	79,442	81,728

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

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

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The following table is a listing of the individual investments in SLP II's portfolio as of March 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
<b>Funded Investments - First lien:</b>						
Access CIG, LLC	Business Services	5.63% (L + 3.75%)	2/27/2025	\$ 8,273	\$ 8,232	\$ 8,379
ADG, LLC	Healthcare Services	6.63% (L + 4.75%)	9/28/2023	16,991	16,852	16,736
ASG Technologies Group, Inc.	Software	5.38% (L + 3.50%)	7/31/2024	7,463	7,428	7,490
AVSC Holding Corp.	Business Services	5.13% (L + 3.25%)	3/3/2025	1,500	1,496	1,503
Beaver-Visitec International Holdings, Inc.	Healthcare Products	7.30% (L + 5.00%)	8/21/2023	14,775	14,656	14,849
DigiCert, Inc.	Business Services	6.52% (L + 4.75%)	10/31/2024	10,000	9,952	10,129
FPC Holdings, Inc.	Distribution & Logistics	5.88% (L + 4.50%)	11/18/2022	15,000	14,550	14,681
Globallogic Holdings Inc.	Business Services	6.05% (L + 3.75%)	6/20/2022	9,677	9,615	9,762
Greenway Health, LLC	Software	6.55% (L + 4.25%)	2/16/2024	14,887	14,823	15,036
Idera, Inc.	Software	6.38% (L + 4.50%)	6/28/2024	12,588	12,472	12,729
J.D. Power (fka J.D. Power and Associates)	Business Services	6.55% (L + 4.25%)	9/7/2023	13,324	13,276	13,390
Keystone Acquisition Corp.	Healthcare Services	7.55% (L + 5.25%)	5/1/2024	5,373	5,325	5,407
LSCS Holdings, Inc.	Healthcare Services	6.40% (L + 4.25%)	3/17/2025	4,400	4,378	4,389
Market Track, LLC	Business Services	6.55% (L + 4.25%)	6/5/2024	11,910	11,856	11,940
Medical Solutions Holdings, Inc.	Healthcare Services	5.63% (L + 3.75%)	6/14/2024	6,965	6,933	6,998
Ministry Brands, LLC	Software	6.88% (L + 5.00%)	12/2/2022	2,132	2,123	2,132
Ministry Brands, LLC	Software	6.88% (L + 5.00%)	12/2/2022	7,748	7,717	7,748
Navex Global, Inc.	Software	6.13% (L + 4.25%)	11/19/2021	14,859	14,695	14,924
Navicure, Inc.	Healthcare Services	5.63% (L + 3.75%)	11/1/2024	14,962	14,891	15,056
OEConnection LLC	Business Services	6.46% (L + 4.00%)	11/22/2024	14,963	14,890	15,056
Pathway Partners Vet Management Company LLC	Consumer Services	6.13% (L + 4.25%)	10/10/2024	1,878	1,868	1,882
Pathway Partners Vet Management Company LLC	Consumer Services	6.13% (L + 4.25%)	10/10/2024	6,945	6,913	6,963
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.56% (L + 5.25%)	4/29/2024	10,421	10,375	10,499
Poseidon Intermediate, LLC	Software	6.13% (L + 4.25%)	8/15/2022	14,852	14,849	14,926
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,927	15,131
PSC Industrial Holdings Corp.	Industrial Services	6.04% (L + 4.25%)	10/11/2024	10,474	10,375	10,578
Quest Software US Holdings Inc.	Software	7.27% (L + 5.50%)	10/31/2022	9,899	9,780	10,095
Salient CRGT Inc.	Federal Services	7.63% (L + 5.75%)	2/28/2022	14,076	13,962	14,252
Severin Acquisition, LLC	Software	6.64% (L + 4.75%)	7/30/2021	14,850	14,793	14,999
Shine Acquisition Co. S.a.r.l./ Boing US Holdco Inc.	Consumer Services	5.29% (L + 3.50%)	10/3/2024	14,962	14,927	15,047
Sierra Acquisition Inc.	Food & Beverage	6.13% (L + 4.25%)	11/11/2024	3,741	3,723	3,772
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 4.00%)	6/7/2024	14,925	14,891	15,009
YI, LLC	Healthcare Services	6.30% (L + 4.00%)	11/7/2024	1,103	1,111	1,109
YI, LLC	Healthcare Services	6.30% (L + 4.00%)	11/7/2024	12,130	12,119	12,190
Zywave, Inc.	Software	7.18% (L + 5.00%)	11/17/2022	17,281	17,212	17,281
<b>Total Funded Investments</b>				<b>\$ 370,327</b>	<b>\$ 367,985</b>	<b>\$ 372,067</b>
<b>Unfunded Investments - First lien:</b>						
Access CIG, LLC	Business Services	—	8/27/2018	\$ 1,727	\$ —	\$ 22
LSCS Holdings, Inc.	Healthcare Services	—	9/17/2018	1,100	(6)	(3)
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	1,142	(6)	3
YI, LLC	Healthcare Services	—	11/7/2018	1,937	(10)	10
<b>Total Unfunded Investments</b>				<b>\$ 5,906</b>	<b>\$ (22)</b>	<b>\$ 32</b>
<b>Total Investments</b>				<b>\$ 376,233</b>	<b>\$ 367,963</b>	<b>\$ 372,099</b>

- (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, 2018.
- (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.



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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
<b>Funded Investments - First lien</b>						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicure, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OECConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/1/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
<b>Total Funded Investments</b>				<b>\$ 381,237</b>	<b>\$ 379,098</b>	<b>\$ 382,529</b>
<b>Unfunded Investments - First lien</b>						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$ 2,728	\$ (14)	\$ 7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9)	(3)
<b>Total Unfunded Investments</b>				<b>\$ 4,863</b>	<b>\$ (23)</b>	<b>\$ 5</b>
<b>Total Investments</b>				<b>\$ 386,100</b>	<b>\$ 379,075</b>	<b>\$ 382,534</b>

(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, 2017.

(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.

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

<b>Selected Balance Sheet Information:</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Investments at fair value (cost of \$367,963 and \$379,075, respectively)	\$ 372,099	\$ 382,534
Receivable from unsettled securities sold	19,466	—
Cash and other assets	7,585	8,065
<b>Total assets</b>	<b>\$ 399,150</b>	<b>\$ 390,599</b>
Credit facility	\$ 255,070	\$ 266,270
Deferred financing costs	(1,818)	(1,966)
Payable for unsettled securities purchased	34,636	15,964
Distribution payable	3,300	3,500
Other liabilities	3,191	2,891
<b>Total liabilities</b>	<b>294,379</b>	<b>286,659</b>
Members' capital	\$ 104,771	\$ 103,940
<b>Total liabilities and members' capital</b>	<b>\$ 399,150</b>	<b>\$ 390,599</b>

<b>Selected Statement of Operations Information:</b>	<b>Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Interest income	\$ 5,630	\$ 5,173
Other income	22	214
<b>Total investment income</b>	<b>5,652</b>	<b>5,387</b>
Interest and other financing expenses	2,428	1,849
Other expenses	224	162
<b>Total expenses</b>	<b>2,652</b>	<b>2,011</b>
<b>Net investment income</b>	<b>3,000</b>	<b>3,376</b>
Net realized gains on investments	453	1,108
Net change in unrealized appreciation (depreciation) of investments	677	(106)
<b>Net increase in members' capital</b>	<b>\$ 4,130</b>	<b>\$ 4,378</b>

For the three months ended March 31, 2018 and March 31, 2017, the Company earned approximately \$2,620 and \$3,434, respectively, of dividend income related to SLP II, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$2,620 and \$2,779, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

The Company has determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation*, 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, 2018, 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.

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The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of March 31, 2018:

	<b>Total</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
First lien	\$ 738,027	\$ —	\$ 88,636	\$ 649,391
Second lien	774,515	—	336,379	438,136
Subordinated	67,918	—	39,726	28,192
Equity and other	397,463	17	—	397,446
<b>Total investments</b>	<b>\$ 1,977,923</b>	<b>\$ 17</b>	<b>\$ 464,741</b>	<b>\$ 1,513,165</b>

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

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

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2018, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at March 31, 2018:

	<b>Total</b>	<b>First Lien</b>	<b>Second Lien</b>	<b>Subordinated</b>	<b>Equity and other</b>
<b>Fair value, December 31, 2017</b>	<b>\$ 1,405,754</b>	<b>\$ 556,697</b>	<b>\$ 443,082</b>	<b>\$ 27,101</b>	<b>\$ 378,874</b>
Total gains or losses included in earnings:					
Net realized gains on investments	97	97	—	—	—
Net change in unrealized (depreciation) appreciation	(1,554)	(282)	(1,009)	(107)	(156)
Purchases, including capitalized PIK and revolver fundings	198,319	134,287	44,106	1,198	18,728
Proceeds from sales and paydowns of investments	(89,333)	(89,333)	—	—	—
Transfers into Level III(1)	76,037	76,037	—	—	—
Transfers out of Level III(1)	(76,155)	(28,112)	(48,043)	—	—
<b>Fair Value, March 31, 2018</b>	<b>\$ 1,513,165</b>	<b>\$ 649,391</b>	<b>\$ 438,136</b>	<b>\$ 28,192</b>	<b>\$ 397,446</b>
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:	\$ (1,043)	\$ 229	\$ (1,009)	\$ (107)	\$ (156)

- (1) As of March 31, 2018, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 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:

	<b>Total</b>	<b>First Lien</b>	<b>Second Lien</b>	<b>Subordinated</b>	<b>Equity and other</b>
<b>Fair value, December 31, 2016</b>	\$ 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)
<b>Fair Value, March 31, 2017</b>	<b>\$ 1,199,039</b>	<b>\$ 526,968</b>	<b>\$ 347,519</b>	<b>\$ 25,603</b>	<b>\$ 298,949</b>
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.

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, 2018 and March 31, 2017. 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, 2018 and December 31, 2017, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

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

Type	Fair Value as of March 31, 2018	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 424,391	Market & income approach	EBITDA multiple	2.0x	20.0x	11.6x		
			Revenue multiple	1.3x	6.0x	3.2x		
			Discount rate	7.0%	12.3%	9.5%		
			145,485	Market quote	Broker quote	N/A	N/A	N/A
	79,515	Other	N/A(1)	N/A	N/A	N/A		
Second lien	247,912	Market & income approach	EBITDA multiple	7.5x	16.8x	12.7x		
			Discount rate	9.5%	13.3%	11.3%		
			190,224	Market quote	Broker quote	N/A	N/A	N/A
Subordinated	28,192	Market & income approach	EBITDA multiple	4.5x	12.3x	9.0x		
			Discount rate	8.0%	14.5%	13.1%		
Equity and other	396,225	Market & income approach	EBITDA multiple	2.5x	18.0x	11.1x		
			Discount rate	7.0%	23.2%	12.2%		
			1,221	Black Scholes analysis	Expected life in years	8.0	8.0	8.0
					Volatility	39.3%	39.3%	39.3%
			Discount rate	3.0%	3.0%	3.0%		
	<u>\$ 1,513,165</u>							

(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, 2017 were as follows:

Type	Fair Value as of December 31, 2017	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 458,543	Market & income approach	EBITDA multiple	2.0x	20.0x	11.8x		
			Revenue multiple	3.5x	8.0x	6.1x		
			Discount rate	6.5%	11.2%	9.2%		
	98,154	Market quote	Broker quote	N/A	N/A	N/A		
Second lien	220,597	Market & income approach	EBITDA multiple	8.0x	16.0x	11.4x		
			Discount rate	7.9%	12.5%	10.8%		
			Broker quote	N/A	N/A	N/A		
	215,098	Market quote	Broker quote	N/A	N/A	N/A		
	7,387	Other	N/A(1)	N/A	N/A	N/A		
Subordinated	27,101	Market & income approach	EBITDA multiple	4.5x	11.8x	9.0x		
			Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.9%	14.9%	12.8%		
Equity and other	377,785	Market & income approach	EBITDA multiple	2.5x	18.0x	9.9x		
			Revenue multiple	0.5x	1.0x	0.8x		
			Discount rate	7.0%	23.6%	14.5%		
			1,089	Black Scholes analysis	Expected life in years	8.3	8.3	8.3
					Volatility	39.4%	39.4%	39.4%
			Discount rate	2.4%	2.4%	2.4%		
	<u>\$ 1,405,754</u>							

- (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, 2018, 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, 2018 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, 2018 was \$160,047, 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, 2018 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

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

## Note 5. Agreements

The Company entered into an investment advisory and management agreement (the “Investment Management Agreement”) with the Investment Adviser, which was most recently re-approved by the Company’s board of directors on February 7, 2018. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

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

Since the IPO, the base management fee calculation has deducted the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the “SLF Credit Facility”). The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company’s existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and 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, 2018 and March 31, 2017 was approximately \$323,280 and \$322,346, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended March 31, 2018 and March 31, 2017, management fees waived were approximately \$1,322 and \$1,356, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company’s “Pre-Incentive Fee Net Investment Income” for the immediately preceding quarter, subject to a “preferred return”, or “hurdle”, and a “catch-up” feature. “Pre-Incentive Fee Net Investment Income” means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company’s operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the “Administration Agreement”), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of March 31, 2018), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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

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



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

For the three months ended March 31, 2018 and March 31, 2017, incentive fees waived by the Investment Adviser were approximately \$0 and \$1,800, respectively. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

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

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

The following table summarizes the management fees and incentive fees incurred by the Company for the three months ended March 31, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Management fee	\$ 8,692	\$ 7,614
Less: management fee waiver	(1,322)	(1,356)
<b>Total management fee</b>	<b>7,370</b>	<b>6,258</b>
Incentive fee, excluding accrued capital gains incentive fees	\$ 6,434	\$ 5,408
Less: incentive fee waiver	—	(1,800)
<b>Total incentive fee</b>	<b>6,434</b>	<b>3,608</b>
Accrued capital gains incentive fees(1)	\$ —	\$ —

- (1) As of March 31, 2018 and March 31, 2017, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net realized capital gains did not exceed cumulative unrealized capital depreciation.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the United States Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2018 and March 31, 2017, approximately \$659 and \$412, respectively, of indirect administrative expenses were included in administrative expenses of which \$0 and \$412, respectively, of indirect administrative expenses were waived by the Administrator. As of March 31, 2018 and December 31, 2017, approximately \$1,074 and \$444, respectively, of indirect administrative expenses were included in payable to affiliates.

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

#### **Note 6. Related Parties**

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

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

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

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

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

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

#### **Note 7. Borrowings**

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

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged

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assets, subject to approval by Wells Fargo Bank, National Association Agent. 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 market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Effective April 1, 2018, the Holdings Credit Facility will bear interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 3,126	\$ 2,709
Non-usage fee	\$ 212	\$ 184
Amortization of financing costs	\$ 616	\$ 397
Weighted average interest rate	3.9%	3.1%
Effective interest rate	5.0%	3.9%
Average debt outstanding	\$ 322,943	\$ 346,033

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$355,663 and \$312,363, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

**NMFC Credit Facility**—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, the Company entered into an amendment to the NMFC Credit Facility, which extended the maturity date to June 4, 2022. 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, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$150,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 852	\$ 290
Non-usage fee	\$ 57	\$ 82
Amortization of financing costs	\$ 112	\$ 96
Weighted average interest rate	4.2%	3.3%
Effective interest rate	5.1%	5.5%
Average debt outstanding	\$ 81,694	\$ 34,661

As of March 31, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$95,000 and \$122,500, 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 June 3, 2015, 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, 2018.

	March 31, 2018
Initial conversion premium	12.5%
Initial conversion rate(1)	62.7746
Initial conversion price	\$ 15.93
Conversion premium at March 31, 2018	11.7%
Conversion rate at March 31, 2018 (1)(2)	63.2794
Conversion price at March 31, 2018 (2)(3)	\$ 15.80
Last conversion price calculation date	June 3, 2017

(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, 2018 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 dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share. 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.

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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, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 1,941	\$ 1,941
Amortization of financing costs	\$ 293	\$ 293
Amortization of premium	\$ (27)	\$ (27)
Effective interest rate	5.8%	5.8%
Average debt outstanding	\$ 155,250	\$ 155,250

As of March 31, 2018 and December 31, 2017, 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 "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, the Company issued \$90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes" and together with the 2016 Unsecured Notes and 2017A Unsecured Notes, the "Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. 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 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.87%, payable semi-annually on February 15 and August 15 of each year, which commences on August 15, 2018. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the 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

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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, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 2,592	\$ 1,195
Amortization of financing costs	\$ 162	\$ 101
Weighted average interest rate	5.1%	5.3%
Effective interest rate	5.4%	5.8%
Average debt outstanding	\$ 206,000	\$ 90,000

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$235,000 and \$145,000, respectively, and the Company was in compliance with the terms of the NPA.

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

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

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

As of March 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$150,000, respectively. As of March 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$2,500 and \$2,500, respectively, and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of March 31, 2018.

Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
<b>Fixed SBA-guaranteed debentures:</b>				
March 25, 2015	March 1, 2025	\$ 37,500	2.517%	0.355%
September 23, 2015	September 1, 2025	37,500	2.829%	0.355%
September 23, 2015	September 1, 2025	28,795	2.829%	0.742%
March 23, 2016	March 1, 2026	13,950	2.507%	0.742%
September 21, 2016	September 1, 2026	4,000	2.051%	0.742%
September 20, 2017	September 1, 2027	13,000	2.518%	0.742%
March 21, 2018	March 1, 2028	15,255	3.187%	0.742%
<b>Total SBA-guaranteed debentures</b>		<b>\$ 150,000</b>		

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.

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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, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 1,160	\$ 953
Amortization of financing costs	\$ 124	\$ 101
Weighted average interest rate	3.1%	3.2%
Effective interest rate	3.5%	3.5%
Average debt outstanding	\$ 150,000	\$ 121,745

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

### **Note 8. Regulation**

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

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

### **Note 9. Commitments and Contingencies**

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of March 31, 2018, the Company had unfunded commitments on revolving credit facilities of \$23,963, no outstanding bridge financing commitments and other future funding commitments of \$57,915. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities of \$23,716, no outstanding bridge financing commitments and other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments.

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

The Company may from time to time enter into financing commitment letters. As of March 31, 2018 and December 31, 2017, the Company had commitment letters to purchase investments in the aggregate par amount of \$24,033 and \$13,907, respectively, which could require funding in the future.

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

**Note 10. Net Assets**

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

	Common Stock		Paid in Capital in	Accumulated Undistributed Net Investment	Accumulated Undistributed Net Realized	Net Unrealized (Depreciation)	Total
	Shares	Par Amount	Excess of Par	Income	(Losses) Gains	Appreciation	Net Assets
Balance at December 31, 2017	75,935,093	\$ 759	\$ 1,053,468	\$ 39,165	\$ (76,681)	\$ 18,264	\$ 1,034,975
Distributions declared	—	—	—	(25,818)	—	—	(25,818)
Net increase (decrease) in net assets resulting from operations	—	—	—	25,736	206	(2,098)	23,844
Balance at March 31, 2018	<u>75,935,093</u>	<u>\$ 759</u>	<u>\$ 1,053,468</u>	<u>\$ 39,083</u>	<u>\$ (76,475)</u>	<u>\$ 16,166</u>	<u>\$ 1,033,001</u>

**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, 2018 and March 31, 2017:

	Three Months Ended	
	March 31, 2018	March 31, 2017
<b>Earnings per share—basic</b>		
Numerator for basic earnings per share:	\$ 23,844	\$ 30,417
Denominator for basic weighted average share:	75,935,093	69,718,968
Basic earnings per share:	\$ 0.31	\$ 0.44
<b>Earnings per share—diluted(1)</b>		
Numerator for increase in net assets per share	\$ 23,844	\$ 30,417
Adjustment for interest on Convertible Notes and incentive fees, net	1,553	1,553
Numerator for diluted earnings per share:	\$ 25,397	\$ 31,970
Denominator for basic weighted average share	75,935,093	69,718,968
Adjustment for dilutive effect of Convertible Notes	9,824,127	9,824,127
Denominator for diluted weighted average share	85,759,220	79,543,095
Diluted earnings per share	\$ 0.30	\$ 0.40

(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, 2018 and March 31, 2017.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Per share data(1):		
Net asset value, January 1, 2018 and January 1, 2017, respectively	\$ 13.63	\$ 13.46
Net investment income	0.34	0.34
Net realized and unrealized gains (losses)	(0.03)	0.10
Total net increase	0.31	0.44
Distributions declared to stockholders from net investment income	(0.34)	(0.34)
Net asset value, March 31, 2018 and March 31, 2017, respectively	\$ 13.60	\$ 13.56
Per share market value, March 31, 2018 and March 31, 2017, respectively	\$ 13.15	\$ 14.90
Total return based on market value(2)	(0.46)%	8.09%
Total return based on net asset value(3)	2.30 %	3.25%
Shares outstanding at end of period	75,935,093	69,821,693
Average weighted shares outstanding for the period	75,935,093	69,718,698
Average net assets for the period	\$ 1,033,023	\$ 946,651
Ratio to average net assets:		
Net investment income	10.10 %	10.04%
Total expenses, before waivers/reimbursements	11.18 %	10.07%
Total expenses, net of waivers/reimbursements	10.66 %	8.52%
Average debt outstanding—Holdings Credit Facility	\$ 322,943	\$ 346,033
Average debt outstanding—Convertible Notes	155,250	155,250
Average debt outstanding—SBA-guaranteed debentures	150,000	121,745
Average debt outstanding—Unsecured Notes	206,000	90,000
Average debt outstanding—NMFC Credit Facility	81,694	34,661
Asset coverage ratio(4)	222.82 %	227.10%
Portfolio turnover	4.41 %	7.50%

- (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

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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**

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three months ended March 31, 2018, except as discussed below.

On May 2, 2018, the Company's board of directors declared a second quarter 2018 distribution of \$0.34 per share payable on June 29, 2018 to holders of record as of June 15, 2018.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedule of investments, as of March 31, 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the three-month periods ended March 31, 2018 and 2017, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of December 31, 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

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

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

/s/ DELOITTE & TOUCHE LLP

May 7, 2018

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

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

### Forward-Looking Statements

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

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.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, 2017.

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, 2017.

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

### Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). 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, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

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

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

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

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I’s and SBIC II’s investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I’s and SBIC II’s investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2018, our top five industry concentrations were business services, software, healthcare services, education and distribution & logistics.

As of March 31, 2018, our net asset value was \$1,033.0 million and our portfolio had a fair value of approximately \$1,977.9 million in 89 portfolio companies, with a weighted average yield to maturity at cost for income producing investments (“YTM at Cost”) of approximately 11.1% and a weighted average yield to maturity at cost for all investments (“YTM at Cost for Investments”) of approximately 11.1%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investment calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments uses the London Interbank Offered Rate (“LIBOR”) curves at each quarter’s end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

### **Recent Developments**

On April 12, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act (the “SBCA”). As a result, our asset coverage requirements for senior securities will be changed from 200% to 150%, effective April 12, 2019. On the same day, the board of directors recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage ratio to us at a special meeting of stockholders scheduled to be held on June 8, 2018. If the stockholder proposal is approved by the required votes of our stockholders at such special meeting of stockholders, we would become subject to the 150% minimum asset coverage ratio the day after such stockholder approval instead of April 12, 2019. Changing the asset coverage ratio would permit us to double our leverage, which would result in increased leverage risk and increased expenses.

On April 25, 2018, NMFC and SkyKnight Income II, LLC (“SkyKnight II”) entered into a limited liability company agreement to establish a joint venture, NMFC Senior Loan Program III LLC (“SLP III”). NMFC and SkyKnight II have committed to provide \$80.0 million and \$20.0 million, respectively, of equity to SLP III. The purpose of the joint venture is to

invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. All investment decisions must be unanimously approved by the investment committee of SLP III, which has equal representations from NMFC and SkyKnight II. On May 2, 2018, SLP III closed its \$300.0 million revolving credit facility with Citibank, N.A. which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum.

On April 27, 2018, we exited our investment in American Tire Distributors, Inc. ("ATD"), due to ATD's reported loss of its largest supplier. As of March 31, 2018, our investment in ATD had a cost basis of approximately \$12.3 million and a fair value of approximately \$12.8 million. The sale will result in a realized loss of approximately \$5.8 million for the quarter ended June 30, 2018.

On May 2, 2018, our board of directors declared a second quarter 2018 distribution of \$0.34 per share payable on June 29, 2018 to holders of record as of June 15, 2018.

### **Critical Accounting Policies**

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

#### ***Basis of Accounting***

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

#### ***Valuation and Leveling of Portfolio Investments***

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

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

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

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- (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, 2018:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 738,027	\$ —	\$ 88,636	\$ 649,391
Second lien	774,515	—	336,379	438,136
Subordinated	67,918	—	39,726	28,192
Equity and other	397,463	17	—	397,446
<b>Total investments</b>	<b>\$ 1,977,923</b>	<b>\$ 17</b>	<b>\$ 464,741</b>	<b>\$ 1,513,165</b>

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, 2018, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

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



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The unobservable inputs used in the fair value measurement of our Level III investments as of March 31, 2018 were as follows:

(in thousands)	Fair Value as of March 31, 2018	Approach	Unobservable Input	Range		Weighted Average			
				Low	High				
First lien	\$ 424,391	Market & income approach	EBITDA multiple	2.0x	20.0x	11.6x			
			Revenue multiple	1.3x	6.0x	3.2x			
			Discount rate	7.0%	12.3%	9.5%			
			145,485	Market quote	Broker quote	N/A	N/A	N/A	
			79,515	Other	N/A(1)	N/A	N/A	N/A	
Second lien	247,912	Market & income approach	EBITDA multiple	7.5x	16.8x	12.7x			
			Revenue multiple	N/A	N/A	N/A			
			Discount rate	9.5%	13.3%	11.3%			
			190,224	Market quote	Broker quote	N/A	N/A	N/A	
			28,192	Market & income approach	EBITDA multiple	4.5x	12.3x	9.0x	
Subordinated			Revenue multiple	N/A	N/A	N/A			
			Discount rate	8.0%	14.5%	13.1%			
			Equity and other	396,225	Market & income approach	EBITDA multiple	2.5x	18.0x	11.1x
					Revenue multiple	N/A	N/A	N/A	
					Discount rate	7.0%	23.2%	12.2%	
	1,221	Black Scholes analysis	Expected life in years	8.0	8.0	8.0			
			Volatility	39.3%	39.3%	39.3%			
			Discount rate	3.0%	3.0%	3.0%			
	<u>\$ 1,513,165</u>								

- (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 had a three year re-investment period. In June 2017, the re-investment period was extended for one additional year. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of March 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$351.5 million, debt outstanding of \$235.4 million and capital that had been called and funded of \$93.0 million. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$223.7 million and capital that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of March 31, 2018 and December 31, 2017.

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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, 2018 and March 31, 2017, 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, 2018 and December 31, 2017, 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, 2018 and March 31, 2017, we earned approximately \$0.8 million and \$1.0 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$0.9 million and \$0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

***NMFC Senior Loan Program II LLC***

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

SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions were completed. Any decision by SLP II to call down on capital commitments required approval by the board of managers of SLP II. As of March 31, 2018, we and SkyKnight have committed and contributed \$79.4 million and \$20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of March 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility will bear interest at a rate of LIBOR plus 1.60% per annum. As of March 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$372.1 million and \$382.5 million, respectively, and debt outstanding under its credit facility of \$255.1 million and \$266.3 million, respectively. As of March 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of March 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5.9 million and \$4.9 million, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of March 31, 2018 and December 31, 2017:

(in thousands)	<b>March 31, 2018</b>	<b>December 31, 2017</b>
First lien investments (1)	376,233	386,100
Weighted average interest rate on first lien investments (2)	6.36%	6.05%
Number of portfolio companies in SLP II	32	35
Largest portfolio company investment (1)	17,281	17,369
Total of five largest portfolio company investments (1)	79,442	81,728

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

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

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The following table is a listing of the individual investments in SLP II's portfolio as of March 31, 2018:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
<b>Funded Investments - First lien:</b>						
Access CIG, LLC	Business Services	5.63% (L + 3.75%)	2/27/2025	\$ 8,273	\$ 8,232	\$ 8,379
ADG, LLC	Healthcare Services	6.63% (L + 4.75%)	9/28/2023	16,991	16,852	16,736
ASG Technologies Group, Inc.	Software	5.38% (L + 3.50%)	7/31/2024	7,463	7,428	7,490
AVSC Holding Corp.	Business Services	5.13% (L + 3.25%)	3/3/2025	1,500	1,496	1,503
Beaver-Visitec International Holdings, Inc.	Healthcare Products	7.30% (L + 5.00%)	8/21/2023	14,775	14,656	14,849
DigiCert, Inc.	Business Services	6.52% (L + 4.75%)	10/31/2024	10,000	9,952	10,129
FPC Holdings, Inc.	Distribution & Logistics	5.88% (L + 4.50%)	11/18/2022	15,000	14,550	14,681
Globallogic Holdings Inc.	Business Services	6.05% (L + 3.75%)	6/20/2022	9,677	9,615	9,762
Greenway Health, LLC	Software	6.55% (L + 4.25%)	2/16/2024	14,887	14,823	15,036
Idera, Inc.	Software	6.38% (L + 4.50%)	6/28/2024	12,588	12,472	12,729
J.D. Power (fka J.D. Power and Associates)	Business Services	6.55% (L + 4.25%)	9/7/2023	13,324	13,276	13,390
Keystone Acquisition Corp.	Healthcare Services	7.55% (L + 5.25%)	5/1/2024	5,373	5,325	5,407
LSCS Holdings, Inc.	Healthcare Services	6.40% (L + 4.25%)	3/17/2025	4,400	4,378	4,389
Market Track, LLC	Business Services	6.55% (L + 4.25%)	6/5/2024	11,910	11,856	11,940
Medical Solutions Holdings, Inc.	Healthcare Services	5.63% (L + 3.75%)	6/14/2024	6,965	6,933	6,998
Ministry Brands, LLC	Software	6.88% (L + 5.00%)	12/2/2022	2,132	2,123	2,132
Ministry Brands, LLC	Software	6.88% (L + 5.00%)	12/2/2022	7,748	7,717	7,748
Navex Global, Inc.	Software	6.13% (L + 4.25%)	11/19/2021	14,859	14,695	14,924
Navicure, Inc.	Healthcare Services	5.63% (L + 3.75%)	11/1/2024	14,962	14,891	15,056
OEConnection LLC	Business Services	6.46% (L + 4.00%)	11/22/2024	14,963	14,890	15,056
Pathway Partners Vet Management Company LLC	Consumer Services	6.13% (L + 4.25%)	10/10/2024	1,878	1,868	1,882
Pathway Partners Vet Management Company LLC	Consumer Services	6.13% (L + 4.25%)	10/10/2024	6,945	6,913	6,963
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.56% (L + 5.25%)	4/29/2024	10,421	10,375	10,499
Poseidon Intermediate, LLC	Software	6.13% (L + 4.25%)	8/15/2022	14,852	14,849	14,926
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,927	15,131
PSC Industrial Holdings Corp.	Industrial Services	6.04% (L + 4.25%)	10/11/2024	10,474	10,375	10,578
Quest Software US Holdings Inc.	Software	7.27% (L + 5.50%)	10/31/2022	9,899	9,780	10,095
Salient CRGT Inc.	Federal Services	7.63% (L + 5.75%)	2/28/2022	14,076	13,962	14,252
Severin Acquisition, LLC	Software	6.64% (L + 4.75%)	7/30/2021	14,850	14,793	14,999
Shine Acquisition Co. S.a.r.l./ Boing US Holdco Inc.	Consumer Services	5.29% (L + 3.50%)	10/3/2024	14,962	14,927	15,047
Sierra Acquisition Inc.	Food & Beverage	6.13% (L + 4.25%)	11/11/2024	3,741	3,723	3,772
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 4.00%)	6/7/2024	14,925	14,891	15,009
YI, LLC	Healthcare Services	6.30% (L + 4.00%)	11/7/2024	1,103	1,111	1,109
YI, LLC	Healthcare Services	6.30% (L + 4.00%)	11/7/2024	12,130	12,119	12,190
Zywave, Inc.	Software	7.18% (L + 5.00%)	11/17/2022	17,281	17,212	17,281
<b>Total Funded Investments</b>				<b>\$ 370,327</b>	<b>\$ 367,985</b>	<b>\$ 372,067</b>
<b>Unfunded Investments - First lien:</b>						
Access CIG, LLC	Business Services	—	8/27/2018	\$ 1,727	\$ —	\$ 22
LSCS Holdings, Inc.	Healthcare Services	—	9/17/2018	1,100	(6)	(3)
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	1,142	(6)	3
YI, LLC	Healthcare Services	—	11/7/2018	1,937	(10)	10
<b>Total Unfunded Investments</b>				<b>\$ 5,906</b>	<b>\$ (22)</b>	<b>\$ 32</b>
				<b>\$ 376,233</b>	<b>\$ 367,963</b>	<b>\$ 372,099</b>

- (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, 2018.
- (2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal	Cost	Fair
				Amount or Par Value		Value (2)
				(in thousands)	(in thousands)	(in thousands)
<b>Funded Investments - First lien</b>						
ADG, LLC	Healthcare Services	6.32% (L + 4.75%)	9/28/2023	\$ 17,034	\$ 16,890	\$ 16,779
ASG Technologies Group, Inc.	Software	6.32% (L + 4.75%)	7/31/2024	7,481	7,446	7,547
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.69% (L + 5.00%)	8/21/2023	14,812	14,688	14,813
DigiCert, Inc.	Business Services	6.13% (L + 4.75%)	10/31/2024	10,000	9,951	10,141
Emerald 2 Limited	Business Services	5.69% (L + 4.00%)	5/14/2021	1,266	1,211	1,267
Evo Payments International, LLC	Business Services	5.57% (L + 4.00%)	12/22/2023	17,369	17,292	17,492
Explorer Holdings, Inc.	Healthcare Services	5.13% (L + 3.75%)	5/2/2023	2,940	2,917	2,973
Globallogic Holdings Inc.	Business Services	6.19% (L + 4.50%)	6/20/2022	9,677	9,611	9,755
Greenway Health, LLC	Software	5.94% (L + 4.25%)	2/16/2024	14,925	14,858	15,074
Idera, Inc.	Software	6.57% (L + 5.00%)	6/28/2024	12,619	12,499	12,556
J.D. Power (fka J.D. Power and Associates)	Business Services	5.94% (L + 4.25%)	9/7/2023	13,357	13,308	13,407
Keystone Acquisition Corp.	Healthcare Services	6.94% (L + 5.25%)	5/1/2024	5,386	5,336	5,424
Market Track, LLC	Business Services	5.94% (L + 4.25%)	6/5/2024	11,940	11,884	11,940
McGraw-Hill Global Education Holdings, LLC	Education	5.57% (L + 4.00%)	5/4/2022	9,850	9,813	9,844
Medical Solutions Holdings, Inc.	Healthcare Services	5.82% (L + 4.25%)	6/14/2024	6,965	6,932	7,043
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	2,138	2,128	2,138
Ministry Brands, LLC	Software	6.38% (L + 5.00%)	12/2/2022	7,768	7,735	7,768
Navex Global, Inc.	Software	5.82% (L + 4.25%)	11/19/2021	14,897	14,724	14,971
Navicare, Inc.	Healthcare Services	5.11% (L + 3.75%)	11/1/2024	15,000	14,926	15,000
OECConnection LLC	Business Services	5.69% (L + 4.00%)	11/22/2024	15,000	14,925	14,981
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	6,963	6,929	6,980
Pathway Partners Vet Management Company LLC	Consumer Services	5.82% (L + 4.25%)	10/10/2024	291	290	292
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	6.95% (L + 5.25%)	4/29/2024	10,448	10,399	10,526
Poseidon Intermediate, LLC	Software	5.82% (L + 4.25%)	8/15/2022	14,881	14,877	14,955
Project Accelerate Parent, LLC	Business Services	5.94% (L + 4.25%)	1/2/2025	15,000	14,925	15,038
PSC Industrial Holdings Corp.	Industrial Services	5.71% (L + 4.25%)	10/11/2024	10,500	10,398	10,500
Quest Software US Holdings Inc.	Software	6.92% (L + 5.50%)	10/31/2022	9,899	9,775	10,071
Salient CRGT Inc.	Federal Services	7.32% (L + 5.75%)	2/28/2022	14,433	14,310	14,559
Severin Acquisition, LLC	Software	6.32% (L + 4.75%)	7/30/2021	14,888	14,827	14,813
Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc.	Consumer Services	4.88% (L + 3.50%)	10/3/2024	15,000	14,964	15,108
Sierra Acquisition, Inc.	Food & Beverage	5.68% (L + 4.25%)	11/11/2024	3,750	3,731	3,789
TMK Hawk Parent, Corp.	Distribution & Logistics	4.88% (L + 3.50%)	8/28/2024	1,671	1,667	1,686
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	5.82% (L + 4.25%)	7/6/2022	1,875	1,875	1,900
Vencore, Inc. (fka SI Organization, Inc., The)	Federal Services	6.44% (L + 4.75%)	11/23/2019	10,686	10,673	10,835
WP CityMD Bidco LLC	Healthcare Services	5.69% (L + 4.00%)	6/7/2024	14,963	14,928	15,009
YI, LLC	Healthcare Services	5.69% (L + 4.00%)	11/7/2024	8,240	8,204	8,230
Zywave, Inc.	Software	6.61% (L + 5.00%)	11/17/2022	17,325	17,252	17,325
<b>Total Funded Investments</b>				<b>\$ 381,237</b>	<b>\$ 379,098</b>	<b>\$ 382,529</b>
<b>Unfunded Investments - First lien</b>						
Pathway Partners Vet Management Company LLC	Consumer Services	—	10/10/2019	\$ 2,728	\$ (14)	\$ 7
TMK Hawk Parent, Corp.	Distribution & Logistics	—	3/28/2018	75	—	1
YI, LLC	Healthcare Services	—	11/7/2018	2,060	(9)	(3)
<b>Total Unfunded Investments</b>				<b>\$ 4,863</b>	<b>\$ (23)</b>	<b>\$ 5</b>
<b>Total Investments</b>				<b>\$ 386,100</b>	<b>\$ 379,075</b>	<b>\$ 382,534</b>

(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, 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.

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

<b>Selected Balance Sheet Information:</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	(in thousands)	(in thousands)
Investments at fair value (cost of \$367,963 and \$379,075, respectively)	\$ 372,099	\$ 382,534
Receivable from unsettled securities sold	19,466	—
Cash and other assets	7,585	8,065
<b>Total assets</b>	<b>\$ 399,150</b>	<b>\$ 390,599</b>
Credit facility	\$ 255,070	\$ 266,270
Deferred financing costs	(1,818)	(1,966)
Payable for unsettled securities purchased	34,636	15,964
Distribution payable	3,300	3,500
Other liabilities	3,191	2,891
<b>Total liabilities</b>	<b>294,379</b>	<b>286,659</b>
Members' capital	\$ 104,771	\$ 103,940
<b>Total liabilities and members' capital</b>	<b>\$ 399,150</b>	<b>\$ 390,599</b>

<b>Selected Statement of Operations Information:</b>	<b>Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
	(in thousands)	(in thousands)
Interest income	\$ 5,630	\$ 5,173
Other income	22	214
<b>Total investment income</b>	<b>5,652</b>	<b>5,387</b>
Interest and other financing expenses	2,428	1,849
Other expenses	224	162
<b>Total expenses</b>	<b>2,652</b>	<b>2,011</b>
<b>Net investment income</b>	<b>3,000</b>	<b>3,376</b>
Net realized gains on investments	453	1,108
Net change in unrealized appreciation (depreciation) of investments	677	(106)
<b>Net increase in members' capital</b>	<b>\$ 4,130</b>	<b>\$ 4,378</b>

For the three months ended March 31, 2018 and March 31, 2017, we earned approximately \$2.6 million and \$3.4 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$2.6 million and \$2.8 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

We have determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, *Consolidation*, 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***

NMNLN was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLN's investments are disclosed on our Consolidated Schedule of Investments as of March 31, 2018.

Below is certain summarized property information for NMNLN as of March 31, 2018:

<b>Portfolio Company</b>	<b>Tenant</b>	<b>Lease Expiration Date</b>	<b>Location</b>	<b>Total Square Feet</b> (in thousands)	<b>Fair Value as of March 31, 2018</b> (in thousands)
NM GLCR LLC	Artic Glacier U.S.A.	2/28/2038	Los Angeles, CA/ San Diego, CA/ Bakersfield, CA/ East Bay, CA	214	\$ 14,750
NM CLFX LP	Victor Equipment Company	08/31/2033	Denton, TX	423	12,538
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	Rockville, MD	95	8,328
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Ontario, Canada	436	8,234
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	Jonesboro, AR	195	5,446
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	Fort Payne, AL/Cleveland, OH	261	5,206
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	Holland, MI	88	2,215
					<b>\$ 56,717</b>

***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, 2018 and December 31, 2017, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a carrying value of \$25.2 million and \$25.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

***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. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three months ended March 31, 2018 and March 31, 2017, we recognized PIK and non-cash interest from investments of \$1.7 million and \$0.9 million, respectively, and PIK and non-cash dividends from investments of \$6.8 million and \$1.5 million, respectively.

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

*Non-accrual income:* Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized

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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, 2018:

(in millions) Investment Rating	March 31, 2018	
	Fair Value	Percent
Investment Rating 1	\$ 172.2	8.7%
Investment Rating 2	1,805.2	91.3%
Investment Rating 3	—	—%
Investment Rating 4	0.5	—%
	<u>\$ 1,977.9</u>	<u>100.0%</u>

As of March 31, 2018, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of two portfolio companies that had an Investment Rating of 4.

During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and commons shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of March 31, 2018, our investments in EDMC had an aggregate cost basis of \$1.5 million, an aggregate fair value of \$0.1 million and total unearned interest income of less than \$0.1 million for the three months then ended.

Our preferred shares and warrants in Ancora Acquisition LLC ("Ancora") have an investment rating of 4. As of March 31, 2018, our investments in Ancora 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 \$1,977.9 million in 89 portfolio companies at March 31, 2018 and approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017.

The following table shows our portfolio and investment activity for the three months ended March 31, 2018 and March 31, 2017:

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
New investments in 21 and 24 portfolio companies, respectively	\$ 237.8	\$ 349.4
Debt repayments in existing portfolio companies	84.0	99.1
Sales of securities in 1 and 8 portfolio companies, respectively	3.1	34.7
Change in unrealized appreciation on 22 and 42 portfolio companies, respectively	5.0	13.3
Change in unrealized depreciation on 61 and 32 portfolio companies, respectively	(7.2)	(7.1)

**Recent Accounting Standards Updates**

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

**Results of Operations for the Three Months Ended March 31, 2018 and March 31, 2017**

**Revenue**

(in thousands)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest income	\$ 36,739	\$ 33,998
Total dividend income	12,357	6,733
Other income	3,793	2,576
Total investment income	\$ 52,889	\$ 43,307

Our total investment income increased by approximately \$9.6 million for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. For the three months ended March 31, 2018, total investment income of \$52.9 million consisted of approximately \$32.8 million in cash interest from investments, approximately \$1.7 million in PIK and non-cash interest from investments, approximately \$1.3 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$0.9 million, approximately \$5.6 million in cash dividends from investments, \$6.8 million in PIK and non-cash dividends from investments and approximately \$3.8 million in other income. The 22% increase in total investment income primarily results from increased interest income due to rising LIBOR rates and prepayment fees from three different portfolio companies. The increase in dividend income of approximately \$5.6 million during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 was attributable to PIK and non-cash dividend income from five equity positions. The increase of approximately \$1.2 million of other income during the three months ended March 31, 2018, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees from twelve different portfolio companies.



**Operating Expenses**

(in thousands)	Three Months Ended	
	March 31, 2018	March 31, 2017
Management fee	\$ 8,692	\$ 7,614
Less: management fee waiver	(1,322)	(1,356)
Total management fee	7,370	6,258
Incentive fee	6,434	5,408
Less: incentive fee waiver	—	(1,800)
Total incentive fee	6,434	3,608
Interest and other financing expenses	11,290	8,376
Professional fees	694	850
Administrative expenses	939	708
Other general and administrative expenses	410	466
Total expenses	27,137	20,266
Less: expenses waived and reimbursed	—	(470)
Net expenses before income taxes	27,137	19,796
Income tax expense	16	80
Net expenses after income taxes	\$ 27,153	\$ 19,876

Our total net operating expenses increased by approximately \$7.3 million for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. Our management fee increased by approximately \$1.1 million, net of a management fee waiver, and our incentive fees increased by approximately \$2.8 million, net of an incentive fee waiver, for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. The increase in management fees and incentive fees from the three months ended March 31, 2017 to the three months ended March 31, 2018 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances, our January 2018 unsecured notes issuance and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. Additionally, no incentive fees were waived for the three months ended March 31, 2018 as compared to an incentive fee waiver of \$1.8 million for the three months ended March 31, 2017.

Interest and other financing expenses increased by approximately \$2.9 million during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017, primarily due to our issuances of unsecured 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, 2018 as compared to the three months ended March 31, 2017.

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

(in thousands)	Three Months Ended	
	March 31, 2018	March 31, 2017
Net realized gains on investments	\$ 206	\$ 826
Net change in unrealized (depreciation) appreciation of investments	(2,168)	6,205
Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell	(12)	(800)
Benefit for taxes	82	755
Net realized and unrealized gains (losses)	\$ (1,892)	\$ 6,986

Our net realized gains and unrealized losses resulted in a net loss of approximately \$1.9 million for the three months ended March 31, 2018 compared to net realized and unrealized gains resulting in a net gain of approximately \$7.0 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of realizations, we look at net realized and unrealized gains or losses together. The net loss for the three months ended March 31, 2018 was primarily driven by the overall decrease in the market prices of our investments during the period. The benefit for income taxes was attributable to equity investments that are held as of March 31, 2018 in three of our corporate subsidiaries. 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.

## 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, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of our common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200.0% (or 150.0%, if certain requirements), are met after such borrowing.

At March 31, 2018 and December 31, 2017, we had cash and cash equivalents of approximately \$29.6 million and \$34.9 million, respectively. Our cash used in operating activities during the three months ended March 31, 2018 and March 31, 2017 was approximately \$83.8 million and \$141.8 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

## Borrowings

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

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

The Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Effective April 1, 2018, the Holdings Credit Facility will bear interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 3.1	\$ 2.7
Non-usage fee	\$ 0.2	\$ 0.2
Amortization of financing costs	\$ 0.6	\$ 0.4
Weighted average interest rate	3.9%	3.1%
Effective interest rate	5.0%	3.9%
Average debt outstanding	\$ 322.9	\$ 346.0

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As of March 31, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$355.7 million and \$312.4 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

**NMFC Credit Facility**—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, we entered into an amendment to the NMFC Credit Facility which extended the maturity date to June 4, 2022. 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, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$150.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 0.9	\$ 0.3
Non-usage fee	\$ 0.1	\$ 0.1
Amortization of financing costs	\$ 0.1	\$ 0.1
Weighted average interest rate	4.2%	3.3%
Effective interest rate	5.1%	5.5%
Average debt outstanding	\$ 81.7	\$ 34.7

As of March 31, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$95.0 million and \$122.5 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 June 3, 2015, 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, 2018.

	<b>March 31, 2018</b>
Initial conversion premium	12.5%
Initial conversion rate (1)	62.7746
Initial conversion price	\$ 15.93
Conversion premium at March 31, 2018	11.7%
Conversion rate at March 31, 2018 (1)(2)	63.2794
Conversion price at March 31, 2018 (2)(3)	\$ 15.80
Last conversion price calculation date	June 3, 2017

- (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, 2018 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, 2018 and March 31, 2017.

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 1.9	\$ 1.9
Amortization of financing costs	\$ 0.3	\$ 0.3
Amortization of premium	\$ — (1)	\$ — (1)
Effective interest rate	5.8%	5.8%
Average debt outstanding	\$ 155.3	\$ 155.3

(1) For the three months ended March 31, 2018 and March 31, 2017, the total amortization of premium was less than \$50 thousand.

As of March 31, 2018 and December 31, 2017, 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 “2016 Unsecured Notes”), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the “NPA”) and issued an additional \$40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued \$55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the “2017A Unsecured Notes”), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued \$90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the “2018A Unsecured Notes”) and together with the 2016 Unsecured Notes and 2017A Unsecured Notes, the “Unsecured Notes”) pursuant to the NPA and a second supplement to the NPA. 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 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.87%, payable semi-annually on February 15 and August 15 of each year, which commences on August 15, 2018. These interest rates are 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 Code, minimum stockholders’ equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at NMFC or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of NMFC or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2018 and March 31, 2017.

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 2.6	\$ 1.2
Amortization of financing costs	\$ 0.2	\$ 0.1
Weighted average interest rate	5.1%	5.3%
Effective interest rate	5.4%	5.8%
Average debt outstanding	\$ 206.0	\$ 90.0

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$235.0 million and \$145.0 million, respectively, and we were in compliance with the terms of the NPA.

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

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

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

As of March 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75.0 million and \$75.0 million, respectively, and SBA-guaranteed debentures outstanding of \$150.0 million and \$150.0 million, respectively. As of March 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$2.5 million and \$2.5 million, respectively, and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of March 31, 2018.

(in millions)	Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
<b>Fixed SBA-guaranteed debentures:</b>					
	March 25, 2015	March 1, 2025	\$ 37.5	2.517%	0.355%
	September 23, 2015	September 1, 2025	37.5	2.829%	0.355%
	September 23, 2015	September 1, 2025	28.8	2.829%	0.742%
	March 23, 2016	March 1, 2026	13.9	2.507%	0.742%
	September 21, 2016	September 1, 2026	4.0	2.051%	0.742%
	September 20, 2017	September 1, 2027	13.0	2.518%	0.742%
	March 21, 2018	March 1, 2028	15.3	3.187%	0.742%
	<b>Total SBA-guaranteed debentures</b>		<b>\$ 150.0</b>		

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.

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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, 2018 and March 31, 2017.

(in millions)	Three Months Ended	
	March 31, 2018	March 31, 2017
Interest expense	\$ 1.2	\$ 1.0
Amortization of financing costs	\$ 0.1	\$ 0.1
Weighted average interest rate	3.1%	3.2%
Effective interest rate	3.5%	3.5%
Average debt outstanding	\$ 150.0	\$ 121.7

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

**Off-Balance Sheet Arrangements**

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2018 and December 31, 2017, we had outstanding commitments to third parties to fund investments totaling \$81.9 million and \$77.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of March 31, 2018 and December 31, 2017, we had commitment letters to purchase investments in an aggregate par amount of \$24.0 million and \$13.9 million, respectively. As of March 31, 2018 and December 31, 2017, we had not entered into any bridge financing commitments which could require funding in the future.

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

**Contractual Obligations**

A summary of our significant contractual payment obligations as of March 31, 2018 is as follows:

(in millions)	Contractual Obligations Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Holdings Credit Facility(1)	\$ 355.7	\$ —	\$ —	\$ 355.7	\$ —
Unsecured Notes(2)	235.0	—	—	235.0	—
Convertible Notes(3)	155.3	—	155.3	—	—
SBA-guaranteed debentures(4)	150.0	—	—	—	150.0
NMFC Credit Facility(5)	95.0	—	—	95.0	—
Total Contractual Obligations	\$ 991.0	\$ —	\$ 155.3	\$ 685.7	\$ 150.0

(1) Under the terms of the \$495.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$355.7 million as of March 31, 2018) must be repaid on or before October 24, 2022. As of March 31, 2018, there was approximately \$139.3 million of possible capacity remaining under the Holdings Credit Facility.

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- (2) \$90.0 million 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased, \$55.0 million of 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased and \$90.0 million in 2018A Unsecured Notes will mature on January 30, 2023 unless earlier repurchased.
- (3) The \$155.3 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.
- (4) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.
- (5) Under the terms of the \$150.0 million NMFC Credit Facility, all outstanding borrowings under that facility (\$95.0 million as of March 31, 2018) must be repaid on or before June 4, 2022. As of March 31, 2018, there was approximately \$55.0 million of possible capacity remaining under the NMFC Credit Facility.

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

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

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

### **Distributions and Dividends**

Distributions declared and paid to stockholders for the three months ended March 31, 2018 totaled approximately \$25.8 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:

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

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



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

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

#### **Related Parties**

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

- We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.
- We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with 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, 2018, approximately \$0.7 million of indirect administrative expenses were included in administrative expenses, of which none of the indirect administrative expenses were waived by the Administrator. As of March 31, 2018, \$1.1 million of indirect administrative expenses were included in payable to affiliates.
- We, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us, the Investment Adviser and the Administrator a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

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

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

**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, 2018, certain of the loans held in our portfolio had floating interest rates. As of March 31, 2018, approximately 86.8% 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 13.2% 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, 2018. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of March 31, 2018. Interest expense on our floating rate credit facilities is calculated using the interest rate as of March 31, 2018, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of March 31, 2018. These hypothetical calculations are based on a model of the investments in our portfolio, held as of March 31, 2018, and are only adjusted for assumed changes in the underlying base interest rates.

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

<b>Change in Interest Rates</b>	<b>Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)</b>
-25 Basis Points	0.08% (1)
Base Interest Rate	—%
+100 Basis Points	7.89%
+200 Basis Points	15.91%
+300 Basis Points	23.92%

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(1) Limited to the lesser of the March 31, 2018 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, 2018 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 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, 2018 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

There have been no material changes during the three months ended March 31, 2018 to the Legal Proceedings discussed in *Item 3. Legal Proceedings* in our Annual Report on Form 10-K for the year ended December 31, 2017.

We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of March 31, 2018. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes during the three months ended March 31, 2018 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2017.

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

We will need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. We believe that having the flexibility to incur additional leverage could augment the returns to our stockholders and would be in the best interests of our stockholders. Even though our board of directors has approved a resolution permitting the Company to be subject to a 150% asset coverage ratio to be effective on April 12, 2019, and if we receive approval of our stockholders to be effective the day after a special stockholder’s meeting scheduled to be held on June 8, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. Currently, our NMFC Credit Facility restricts our ability to incur additional indebtedness if after incurring such additional debt, our asset coverage ratio would be below 200%. We cannot assure you that we will be able to negotiate a change to our credit facilities to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits described above related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our results of operations and the value of our shares of common stock.

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

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). (i.e., the amount of debt may not exceed 66.7% of the value of our assets). However, on March 23, 2018, the Consolidated Appropriations Act of 2018, which includes the SBCA, was signed into law. The SBCA amends the 1940 Act to permit a BDC to reduce the required minimum asset coverage ratio applicable to it from 200% to 150% (i.e., the amount of debt may not exceed 66.7% of the value of our assets), subject to certain requirements described therein. On April 12, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61 (a)(2) of the 1940 Act, as amended by the SBCA. As a result, the Company’s asset coverage requirements for senior securities will be changed from 200% to 150%, effective April 12, 2019. On the same day, the board of directors recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage ratio to the Company at a special meeting of stockholders scheduled to be held on June 8, 2018. If the stockholder proposal is approved by the required votes of the Company’s stockholders at such special meeting of stockholders, the Company would become subject to the 150% minimum asset coverage ratio the day after such stockholder approval instead of April 12, 2019. Changing the asset coverage ratio would permit the Company to double its leverage, which would result in increased leverage risk and increased expenses.

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As a result of this legislation, we may be able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

In addition, in December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval. This new legislation may allow us to issue additional SBIC debentures above the \$225.0 million of SBA-guaranteed debentures previously permitted pending application for and receipt of additional SBIC licenses. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase.

### **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, 2018.

### **Issuer Purchases of Equity Securities**

#### *Dividend Reinvestment Plan*

During the quarter ended March 31, 2018, we did not purchase any of our common stock in the open market in connection with our dividend reinvestment plan.

#### *Stock Repurchase Program*

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

### **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:

<b>Exhibit Number</b>	<b>Description</b>
3.1(a)	<a href="#">Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)</a>
3.1(b)	<a href="#">Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)</a>
3.2	<a href="#">Amended and Restated Bylaws of New Mountain Finance Corporation(2)</a>
4.1	<a href="#">Form of Stock Certificate of New Mountain Finance Corporation(1)</a>
10.1	<a href="#">Amendment No. 3, dated February 27, 2018 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(4)</a>
10.2	<a href="#">Commitment Increase Agreement, dated January 25, 2018, 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 for said Lenders and Syndication Agent(4)</a>
10.3	<a href="#">First Amendment to Loan and Security Agreement, date as of March 30, 2018, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian.(5)</a>
10.4	<a href="#">Limited Liability Company Agreement for Senior Loan Program III LLC, dated April 25, 2018</a>
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	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>

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- (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 annual report on Form 10-K filed on February 28, 2018.
- (5) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on April 5, 2018.







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**LIMITED LIABILITY COMPANY AGREEMENT  
OF  
NMFC SENIOR LOAN PROGRAM III LLC**

This Limited Liability Company Agreement of NMFC Senior Loan Program III LLC (the "Company"), dated as of April 25, 2018, is entered into by and between SkyKnight Income II, LLC, a Delaware limited liability company, and New Mountain Finance Corporation, a Delaware corporation, as the members hereunder (each, a "Member" and collectively, the "Members").

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

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

**Article 1**  
**DEFINITIONS**

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

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

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

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

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

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

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

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

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

“Board” shall mean the Board of Managers of the Company.

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

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

“Board Observer” shall mean each individual designated by a Member from time to time to serve in such capacity in accordance with Section 6.2(c).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Initial Closing” shall mean the date of the initial closing of the Company, which shall take place on or around April 25, 2018.

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

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

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

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

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

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

“Investor-Related Taxes” shall mean any tax withheld from the Company or paid over by the Company, in each case, directly or indirectly, with respect to or on behalf of a Member, and interest, penalties and/or any additional amounts with respect thereto, including without limitation, (i) a tax that is determined

based on the status, action or inaction (including the failure of a Member to provide information to eliminate or reduce withholding or other taxes) of a Member, or (ii) an “imputed underpayment” within the meaning of Section 6225 of the Code and any other similar tax, attributable to a Member, as determined by the NMFC in its discretion.

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

“Credit and Security Agreement” shall have the meaning set forth in Section 2.4(b).

“CSA Administrative Agent” shall have the meaning set forth in Section 2.4(b).

“CSA Lenders” shall have the meaning set forth in Section 2.4(b).

“CSA Securities Intermediary” shall have the meaning set forth in Section 2.4(b).

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

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

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

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

“Non-Contributing Member” shall have the meaning set forth in Section 3.2.

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

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

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

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

“Portfolio Company” shall mean, with respect to any Investment, any Person that is the issuer of any equity securities, equity-related securities or obligations, debt instruments or debt-related securities or obligations (including senior debt instruments, including investments in senior loans, senior debt securities and any notes, bonds or other evidences of indebtedness, preferred equity, warrants, options, subordinated

debt, mezzanine securities or similar securities or instruments) that are the subject of such Investment. Portfolio Companies do not include Subsidiaries.

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

“Priority of Payments” shall mean the provisions of the Credit and Security Agreement setting forth the order of application and distribution on a periodic basis of principal proceeds, interest proceeds and other proceeds of the Company’s investments.

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

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

“Promissory Notes” shall mean the promissory notes, variable funding notes or other notes delivered to the CSA Lenders from time to time pursuant to the Credit and Security Agreement, as amended, restated, replaced, modified or supplemented from time to time.

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

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

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

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

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

“SkyKnight” shall mean SkyKnight Income II, LLC, a Delaware limited liability company.

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

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



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

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

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

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

“Transaction Documents” shall mean the Credit and Security Agreement, the Account Control Agreement, the Promissory Notes and the other “Transaction Documents” or “Loan Documents” as defined in the Credit and Security Agreement.

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

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

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

## **ARTICLE 2 GENERAL PROVISIONS**

Section 2.1 Formation of the Limited Liability Company. The Company was formed under and pursuant to the Act upon the filing of the Certificate of Formation in the office of the Secretary of State of

the State of Delaware, and the Members hereby agree to continue the Company under and pursuant to the Act. The Members agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein. Each Person being admitted as a Member as of the date hereof shall be admitted as a Member at the time such Person has executed this Agreement or a counterpart of this Agreement.

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

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

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

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

Section 2.4 Principal Purpose and Powers of the Company.

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

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

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

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

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

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

(v) to hold property ancillary to the Portfolio Investments such as equity securities received upon exercise of remedies or in connection with a workout or bankruptcy proceeding affecting the applicable Portfolio Company and proceeds thereof, and so long as the Credit and Security Agreement remains in full force and effect, solely to the extent permitted by the Credit and Security Agreement;

(vi) to enter into and to exercise its rights and perform its obligations under the credit and security agreement, loan and servicing agreement or other credit facility agreement (as amended, restated, modified or supplemented from time to time, the "Credit and Security Agreement"), to be entered into among the Company, as the borrower, each of the lenders from time to time party thereto (the "CSA Lenders"), NMFC, as the collateral manager or servicer, Citibank, N.A., as the administrative agent (together with any successor in such capacity, the "CSA Administrative Agent"), and U.S. Bank National Association, as the collateral agent (together with any successor in such capacity, the "CSA Collateral Agent") and collateral administrator (together with any successor in such capacity, the "CSA Collateral Administrator");

(vii) to enter into and to exercise its rights and perform its obligations under the securities account control agreement or similar agreement (as amended, restated, modified or supplemented from time to time, the "Account Control Agreement"), among the Company, as debtor, the CSA Collateral Agent, as secured party, and U.S. Bank National Association, as the securities intermediary (together with any successor in such capacity, the "CSA Securities Intermediary");

(viii) (A) to grant a security interest to the CSA Collateral Agent, for the benefit of the CSA Lenders and the other Secured Parties (as defined in the Credit and Security Agreement), in all of the Company's right, title and interest in and to all of its assets, including the Portfolio Investments and the proceeds thereof (as more specifically described in the Credit and Security Agreement, the "Collateral") to secure all of its obligations under the Transaction Documents; (B) to execute and deliver Promissory Notes to the CSA Lenders if required under the Credit and Security Agreement or requested by any of the CSA Lenders; (C) to appoint NMFC as its servicer or collateral manager under the Credit and Security Agreement and authorize NMFC to acquire, administrate and dispose of Portfolio Investments in accordance with the terms of this Agreement and the Credit and Security Agreement as further set forth in Section 6.1(c) hereof; and (D) to enter into, execute and deliver, perform its obligations under and exercise its rights under any of the other Transaction Documents;

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

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

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

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

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

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

Section 2.8 Member Representations and Warranties. Each Member represents and warrants that (i) such Member (and each holder of voting securities of such Member, to the extent that such Member may be deemed to have been formed for the purpose of investing in the Company) are "qualified purchasers", as that term is defined under the Investment Company Act, (ii) such Member is not a "Benefit Plan Investor", as that term is defined under Section 3(42) of ERISA and any regulations promulgated thereunder, (iii) such Member is duly incorporated or formed, as applicable, and is validly existing in good standing as a corporation or limited liability company, as applicable, under the laws of the State of Delaware and possesses all requisite power and authority necessary to carry out the its obligations under this Agreement; and (iv) the execution and delivery of this Agreement by such Member, and the performance by such Member of its obligations hereunder, have been duly authorized by all necessary corporate or limited liability company action, as applicable, and upon execution and delivery by each of the other parties hereto, this Agreement will be a legal, valid and binding agreement of such Member, enforceable against such Member in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance or similar laws affecting the enforcement of creditors' rights generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

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

- (a) at all times have at least one Independent Board Member whose consent shall be required for the Company to take any Material Action;
- (b) not become involved in the day-to-day management of any other Person;

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

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

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

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

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

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

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

(j) transact all business with Affiliates on an arm's length basis (except for services provided by NMFC in its capacity as Collateral Manager) and pursuant to enforceable agreements (it being understood that (i) the Transaction Documents satisfy such requirement and (ii) actions taken in accordance with the express provisions of the Transaction Documents satisfy such requirement);

(k) prepare separate tax returns from its Members (so long as the Company has more than one Member);

(l) maintain sufficient duly compensated agents (including the Administrative Agent acting pursuant to the Administrative Services Agreement) to run its contemplated business and operations and compensate its agents from its own available funds for services provided to it (provided that NMFC, as collateral manager or servicer under the Credit and Security Agreement, will not receive compensation for such services);

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

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

(o) not incur, create or assume any indebtedness for borrowed money other than the indebtedness to be incurred under the Credit and Security Agreement (including as evidenced by the Promissory Notes) or as expressly permitted herein or under the Credit and Security Agreement or any other Transaction Document;

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

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

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

(s) hold itself out and identify itself as a separate and distinct entity under its own name and not as a division or part of any other Person. The Company shall engage in transactions solely in its own name and through its own authorized officers and agents (which may include NMFC in its capacity as collateral manager or servicer under the Credit and Security Agreement or a replacement collateral manager or servicer in accordance with Section 6.1(c) hereof). Except to the extent provided herein, in the Administrative Services Agreement or in the Credit and Security Agreement or any other Transaction Document (including as provided in the preceding sentence), no Affiliate of the Company shall be appointed as an agent of the Company;

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

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

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

### **ARTICLE 3 COMPANY CAPITAL AND INTERESTS**

#### Section 3.1 Capital Commitments; Capital Contributions.

(a) Each Member's Capital Commitment shall be set forth on Schedule D and on the Member List. Each Member's initial Capital Contributions shall be set forth on Schedule C. In exchange for each Member's Capital Commitment, each Member has received an interest in the Company, including such Member's interest in the capital, income, gains, losses, deductions and

expenses of the Company, the right to designate, appoint, remove and replace Board Members and their respective successors and the right to vote, if any, on certain Company matters, in each instance in accordance with and subject to the terms and conditions of this Agreement. There will only be one class of interests in respect of and issued by the Company. Each Member's Capital Contribution shall be subject to Board Approval and shall be made from time to time upon no less than three (3) Business Days prior notice from the Administrative Agent (or any other Person with the power and authority to call the Capital Commitments) specifying (i) the amount then to be paid, (ii) the intended use of such funds (including for the making or purchasing interests in Investments on behalf of the Company, any Subsidiary or Alternative Investment Vehicle, payment of Expenses, and payment of indemnification and/or other obligations), and (iii) the due date for the related Capital Contribution (each, a "Capital Call Notice"); provided that, the Board shall not authorize any Capital Contribution from a Member unless a related capital call is made on all other Members, *pro rata*, based upon their respective Capital Commitments; provided further that to the extent that the intended use of any such capital call is to avoid an adverse consequence under the Credit and Security Agreement, the Capital Contributions with respect to such capital call shall not exceed 10% of the Advances Outstanding (as such term is defined in the Credit and Security Agreement) as of the date of such capital call. Each Capital Contribution shall be payable in cash in U.S. dollars or, with Board Approval, in in-kind contributions of Investments or other assets at a value and pursuant to transfer documentation approved by the Board. For the avoidance of doubt, for purposes of calculating the unpaid balances of the Capital Commitments, in-kind contributions will carry the value approved by the Board at the time the contribution is made. Capital Contributions shall be made by all Members *pro rata* based on their respective Capital Commitments.

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

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

(d) During the Investment Period, the Company may request Capital Contributions to fund the purchase of Investments and, to the extent that Expenses are not reimbursed by the obligor of an Investment made by the Company, to pay Expenses. After the end of the Investment Period, the Members shall be released from any further obligations to make Capital Contributions with respect to their Capital Commitments, except to (i) fund a pending Capital Call Notice; (ii) fund an Investment that the Company has committed to prior to the termination of the Investment Period; (iii) fund an Investment under active consideration pursuant to a memorandum of understanding or letter of intent, whether or not binding, by the Company prior to the end of the Investment Period; and (iv) take any actions in clauses (ii), (iii), (v) and (vi) of Valid Company Purposes.

### Section 3.2 Temporary Advances.

(a) Subject to Board Approval, one or more Members or their subsidiaries, in its discretion, may make loans (each, a "Temporary Advance") to temporarily fund the obligations of

another Member who fails to make Capital Contributions as set forth in Section 3.1 or to provide the funding contemplated by Section 3.2(b) (“Non-Contributing Member”), by paying the amount of such Temporary Advance to the Company on behalf of the Non-Contributing Member. Temporary Advances plus interest at the Temporary Advance Rate accrued thereon, shall be repaid directly by the Non-Contributing Member or be returned, as and when available, from Investment Proceeds otherwise distributable to such Non-Contributing Member (and such distributions shall be treated for all purposes of this Agreement as distributed to such Non-Contributing Member); provided, that, a Member’s repayment of interest in respect of a Temporary Advance shall not reduce the amount of such Member(s) remaining Capital Commitment. For example, if the Company has called Capital Contributions of \$200 from the Members (*i.e.*, \$100 per Member), and one Member contributes \$200 because the Non-Contributing Member is unwilling or unable to contribute its \$100 before the date required by Section 3.1, then the \$100 advanced on behalf of the Non-Contributing Member shall constitute a Temporary Advance. The parties agree that the Temporary Advances shall be a non-recourse loan from the Member making such Temporary Advance to the Non-Contributing Member followed by a Capital Contribution by the Non-Contributing Member to the Company.

(b) If the Board fails to timely approve a call for Capital Contributions in cash in accordance with Section 3.1 that is (i) requested by any Member and (ii) intended to avoid or cure any borrowing base deficiency, default, event of default, potential termination event or termination event relating to any Facility or any derivative instrument or other indebtedness incurred by the Company or a Subsidiary, each of the other Members may, in its sole discretion, fund in cash only the amount necessary to avoid or cure such borrowing base deficiency, default, event of default, potential termination event or termination event as required under the terms of any such Facility, derivative instrument or other indebtedness of the Company or any Subsidiary without Board Approval, and the amount of any such funding shall be deemed a Temporary Advance from the advancing Member to the Non-Contributing Member and repaid or returned to the advancing Member (together with interest accruing on such amount accrued thereon at the Temporary Advance Rate) as set forth in Section 3.2(a); provided that all interest due and payable in respect of any Temporary Advance shall be the sole responsibility of the Non-Contributing Member(s) and shall not reduce the amount of such Non-Contributing Member(s) remaining Capital Commitment.

### Section 3.3 Defaulting Members.

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

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

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



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

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

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

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

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

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

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

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

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

## ARTICLE 4 ALLOCATIONS

### Section 4.1 Capital Accounts.

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

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

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

(a) Loss shall be allocated among the Members *pro rata* in accordance with their Capital Account balances. Profit shall be allocated among the Members (a) first, *pro rata* until the cumulative amount of Profit allocated to a Member equals the cumulative amount of Loss previously allocated to such Member, and thereafter (b) *pro rata* in accordance with the Members’ Capital Account balances.

(b) The provisions of this Agreement are intended to comply with Section 704(b) of the Code and the Treasury Regulations promulgated thereunder and shall be interpreted and applied in a manner consistent with such Section and such Treasury Regulations, including but not limited the minimum gain chargeback requirements of Treasury Regulations Sections 1.704-2(f) and 1.704-2(i)(4) and the “qualified income offset” requirements of Treasury Regulations Section 1.704-1(b)(2)(ii)(d).

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

transferred interest or increase of interest shall be deemed allocated and made to the permitted transferee or other holder.

#### Section 4.4 Income Taxes and Tax Capital Accounts.

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

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

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

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

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

### **ARTICLE 5 DISTRIBUTIONS**

#### Section 5.1 General.

(a) Subject to Section 3.2 and Section 5.1(b), amounts received by the Company pursuant to Priority of Payments under the Credit and Security Agreement (collectively "Investment Proceeds") shall, to the extent permitted by the Credit and Security Agreement, be used by the Company in the following order of priority:

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

(ii) Second, to pay Expenses;

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

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

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

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

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

**Section 5.2 Withholding.** The Company may withhold from any distribution to any Member any amount which the Company has paid or is obligated to pay in respect of any withholding or other tax or Investor-Related Taxes, including, without limitation, any interest, penalties or additions with respect thereto, imposed on any income of or distributions to such Member, and such withheld amount and any Investor-Related Taxes with respect to a Member shall be considered a distribution, as the case may be, to such Member for purposes hereof. If no payment is then being made to such Member in an amount sufficient to pay the Company's withholding obligation, any amount which the Company is obligated to pay shall be deemed an interest-free advance from the Company to such Member, payable by such Member by withholding from subsequent distributions or, with Board Approval, within ten (10) days after receiving written request for payment from the Company or Administrative Agent.

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

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

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

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

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

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

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

## **ARTICLE 6 MANAGEMENT OF COMPANY**

### Section 6.1 Management Generally; Approval of Administrative Services Agreement.

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

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

(c) The Company will appoint NMFC as its collateral manager or servicer under the Credit and Security Agreement. In such capacity, NMFC will have authority to acquire, administrate and dispose of investments and other assets on behalf of the Company to the extent permitted under this Agreement and the Credit and Servicing Agreement and to take such other actions as are delegated or assigned to it on behalf of the Borrower under the Transaction Documents. NMFC will not receive compensation for such services but will be entitled to be reimbursed by the Company for its out-of-pocket expenses and to customary indemnification from the Company, which the Company shall pay to it subject to the Priority of Payments under the Credit and Security Agreement. In accordance with the Credit and Security Agreement, if certain termination events occur (including an Event of Default under and as defined in the Credit and Security Agreement), the CSA Administrative Agent, at the direction of the requisite percentage of the CSA Lenders, may remove and replace NMFC with a third party to act as collateral manager or servicer, which replacement collateral manager or servicer may be entitled to payment of a fee to be paid by the Company subject to the Priority of Payments under the Credit and Security Agreement.

### Section 6.2 Composition of the Board.

(a) Subject to Section 2.9, all business and affairs of the Company (including exercising any right, power, privilege or interest of the Company in or with respect to any Subsidiary and Alternative Investment Vehicle) shall be managed by or under the direction of the Board. The Members may determine at any time by mutual agreement the number of Board Members to constitute the Board and the authorized number of Board Members may be increased or decreased by unanimous approval of the Members at any time; provided that at all times the Board shall include at least one Board Member who is an Independent Board Member. An "Independent Board Member" shall be



a Board Member who is not at such time, and shall not have not been at any time, (i) a manager, officer, employee or Affiliate of the Company or any major creditor, or a manger, officer or employee of any such Affiliate (other than an Independent Board Member or similar position of the Company or an Affiliate) or (ii) the beneficial owner of any limited liability company interests of the Company or any voting, investment or other ownership interests of any Affiliate of the Company or of any major creditor. The term “major creditor” shall mean a financial institution to which the Administrative Agent, the Company, any lender to the Company or any of their respective subsidiaries or Affiliates has outstanding indebtedness for borrowed money in a sum sufficiently large as would reasonably be expected to influence the judgment of the proposed Independent Board Member adversely to the interest of the Company when its interests are adverse to those of the Administrative Agent, the Company, any such lender or any of their Affiliates and successors. The initial number of Board Members shall be three (3), and each Member shall have the right to designate or appoint one (1) initial Board Member, and the Members may designate and appoint by mutual agreement the initial Independent Board Member. At all times, the Board shall have equal representation between the Members. Each Board Member designated or appointed by a Member (or the Members, as applicable) shall hold office until a successor is designated or appointed or until such Board Member’s earlier death, resignation, expulsion or removal. No resignation or removal of an Independent Board Member, and no appointment of a successor Independent Board Member, shall be effective until such successor shall have accepted his or her appointment as an Independent Board Member by a written instrument and shall have signed this Agreement pursuant to Section 8.2(b). In the event of any vacancy in the Board, the Members may designate and appoint by mutual agreement a replacement board member to fill such vacancy and in the event of a vacancy in the position of Independent Board Member, the Members shall, as soon as practicable, designate and appoint a successor Independent Board Member. The Independent Board Member shall have a single vote solely in connection with any Material Action, and the Non-Independent Board Members designated and appointed by each Member (or the Members, as applicable) collectively shall have a single vote on all matters. Each Non-Independent Board Member must be an officer or employee of a Member.

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

(c) In addition to any Board Members designated or appointed by the Members pursuant to Section 6.2(a), each Member shall have the right to designate one (1) Board Observer from time to time, who shall be entitled to receive notice of and attend any meetings of the Board, and to receive any written or electronic materials distributed to Board Members generally, but shall have no voting rights. For the avoidance of doubt, Board Observers shall have no rights or privileges other than as expressly set forth in this Section 6.2(c), including any authority, either express or implied, to act on behalf of or otherwise bind the Company, and shall not be considered Board Members for any purpose hereunder.

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

notice to the Board Member of a meeting for which purpose a Board Member's participation in a meeting shall be deemed to waive notice of the meeting if notice was not provided pursuant to this Section 6.3.

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

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

(b) Notwithstanding any other provision of this Agreement or any other document governing the formation, management or operation of the Company and notwithstanding any provision of law that otherwise so empowers the Company, the Members, the Board, the Board Members or any other Person, neither the Board, the Board Members nor any other Person shall be authorized or empowered, nor shall they permit the Company, without the prior unanimous written consent of all of the Board Members, including the Independent Board Member (and no such actions shall be taken or authorized unless there is at least one Independent Board Member then serving in such capacity), to take any of the following actions with respect to the Company (each such action, a "Material Action"): (i) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Company or to the substantive consolidation of the Company with any Member or Affiliate, (ii) file a petition or consent to a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (iii) seek any relief under any law relating to the relief from debts or the protection of debtors, or consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors, (iv) except as required by law, admit in writing its inability to pay its debts generally as they become due, (v) commence any action or proceeding for the dissolution of the Company pursuant to Section 8.2 hereof or consent to such proceeding or action, (vi) amend, modify or waive any Special Purpose Provisions or (vii) take any action in furtherance of any of the foregoing or amend any of the provisions that prohibit acting without the consent of the Independent Board Member or that require the consent of the Independent Board Member to pursue any action.



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

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

Section 6.7 Removal of Board Members.

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

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

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

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

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

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

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

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

Section 6.12 Reliance by Third Parties. Notwithstanding any other provision of this Agreement, any contract, instrument or action on behalf of the Company by (a) a Board Member, or (b) an officer or any other Person delegated by Board Approval, including NMFC acting in its capacity as collateral manager or servicer on behalf of the Company and any replacement collateral manager or servicer, shall be conclusive

evidence in favor of any third party dealing with the Company that such Person has the authority, power and right to execute and deliver such contract or instrument and to take such action on behalf of the Company. This Section 6.12 shall not be deemed to limit the liabilities and obligations of such Person to seek Board Approval as set forth in this Agreement.

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

#### Section 6.14 Indemnification; Exculpation.

(a) Subject to the limitations and conditions as provided in this Section 6.14, each director, manager, officer, representative and agent of the Company or any of its Subsidiaries (including NMFC as collateral manager or servicer for the Company under the Credit and Security Agreement and any replacement collateral manager or servicer), each Board Member (including each Independent Board Member), each Member and their respective employees, directors, managers, officers, owners, principals, shareholders, members, partners, representatives and agents (each, an "Indemnified Person") who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or arbitrative or in the nature of an alternative dispute resolution in lieu of any of the foregoing (other than any of the foregoing between the two Members, hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such Indemnified Person (i) is or was a director, manager, officer, representative or agent (as applicable) of the Company or any of its Subsidiaries, a Board Member, a Member or any of their respective employees, directors, managers, officers, owners, principals, shareholders, members, partners, representatives or agents, and (ii) is or was performing any duty or obligation or exercising any right arising out of or in connection with under this Agreement or the Administrative Services Agreement, shall be indemnified by the Company to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such applicable law permitted the Company to provide prior to such amendment) against all liabilities and expenses (including, without limitation, judgments, penalties (including, without limitation, excise and similar taxes and punitive damages), losses, fines, settlements and reasonable expenses (including, without limitation, reasonable attorneys' and experts' fees and expenses)) actually incurred by such Indemnified Person in connection with such Proceeding, appeal, inquiry or investigation (each, a "Harm"), unless such Harm shall have been fully adjudicated to constitute gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where the Indemnified Person has a reasonable cause to believe that such conduct was unlawful) by the Indemnified Person seeking indemnification hereunder, in which case such indemnification shall not cover such Harm to the extent resulting from such gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where the Indemnified Person has a reasonable cause to believe that such conduct was unlawful). Indemnification under this Section 6.14 shall continue as to an Indemnified Person who has ceased to serve in the capacity which initially entitled such Indemnified Person to indemnity hereunder. The rights granted pursuant to this Section 6.14 shall be deemed contract

rights, and no amendment, modification or repeal of this Section 6.14 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings, appeals, inquiries or investigations arising prior to any amendment, modification or repeal. To the fullest extent permitted by law, no individual entitled to indemnification under this Section 6.14 shall be liable to the Company or any Member for any act or omission performed or omitted by or on behalf of the Company; provided that such act or omission has not been fully adjudicated to constitute gross negligence, fraud, bad faith, reckless disregard of its duties or intentional misconduct, the breach of any material provision of this Agreement or the Administrative Services Agreement or conduct that is the subject of a criminal proceeding (where such individual had a reasonable cause to believe that such conduct was unlawful). In addition, any Indemnified Person entitled to indemnification under this Section 6.14 may consult with legal counsel selected with reasonable care and shall incur no liability to the Company or any Member to the extent that such Indemnified Person acted or refrained from acting in good faith in reliance upon the opinion or advice of such counsel and such Indemnified Person provided such counsel all material facts.

(b) The right to indemnification conferred in Section 6.14(a) shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred by an Indemnified Person entitled to be indemnified under Section 6.14(a) who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Indemnified Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Company of a written undertaking by such Indemnified Person to repay all amounts so advanced if it shall be finally adjudicated that such Indemnified Person is not entitled to be indemnified under this Section 6.14 or otherwise.

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

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

(e) In furtherance of this Section 6.14, the Company acknowledges that certain Indemnified Persons entitled to indemnification under this Section 6.14 may have rights to indemnification, advancement of expenses and/or insurance provided by Persons other than the Company (collectively, the "Outside Indemnitors"). The Company hereby agrees (i) that it (and any of its insurers) is the indemnitor of first resort (*i.e.*, its obligations to such Indemnified Persons under this Section 6.14 are primary, and any obligation of the Outside Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Indemnified Persons are secondary), (ii) that the Company (and any of its insurers) shall be required to advance the full amount of expenses incurred by such Indemnified Persons and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement (or any other agreement between the Company and such Indemnified Persons), without regard to any rights such Indemnified Persons may have against the respective Outside Indemnitors, and (iii) that the Company irrevocably waives,

relinquishes and releases the Outside Indemnitors from any and all claims against the Outside Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Outside Indemnitors on behalf of any such Indemnified Person with respect to any claim for which such Indemnified Person has sought indemnification from the Company (or any of its insurers) shall affect the foregoing, and the Outside Indemnitors shall have a right of contribution and/or be subrogated to the extent of any such advancement or payment to all of the rights of recovery of such Indemnified Person against the Company (and any of its insurers). Notwithstanding the foregoing, to the extent that a Member or any Indemnified Person who is such Member's employee, director, manager, officer, owner, principal, shareholder, member, partner, representative or agent has received indemnification or advancement of expenses for a Harm from an Outside Indemnitor, the Members agree that such Member shall return (and shall use reasonable efforts to cause any such Indemnified Person to return) any indemnification or advancement of expenses received from the Company (or any of its insurers) with respect to the same Harm. The Company agrees that the Outside Indemnitors are express third-party beneficiaries of the terms of this Section 6.14(e).

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

Section 6.15 Tax Matters Member. NMFC shall be the "tax matters partner" of the Company within the meaning of Section 6231(a) (7) of the Code, and NMFC (or such Person as may be designated by NMFC in its sole discretion) shall be designated, in the manner prescribed by applicable law, as the partnership representative authorized to act on behalf of the Company in respect of Company audits relating to tax returns filed for taxable years beginning after 2017 (NMFC and/or such other person, the "Tax Matters Member"). The provisions of Section 6.14 shall apply to all actions taken on behalf of the Members by the Tax Matters Member in its capacity as such. The Tax Matters Member shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the Tax Matters Member of the Company. The Tax Matters Member shall have the authority to make, or cause to be made, all relevant decisions and elections, including, with respect to audits relating to tax returns filed for taxable years beginning after 2017, an election under Section 6226 of the Code, as then in effect, and any similar elections under state or local law. The Tax Matters Member shall have the right to retain professional assistance in respect of any audit of the Company and all reasonable, documented out-of-pocket expenses and fees incurred by the Tax Matters Member on behalf of the Company as Tax Matters Member shall be reimbursed by the Company. For the avoidance of doubt, the Tax Matters Member shall not take any action prior to Board Approval for same being obtained.

## **ARTICLE 7 TRANSFERS OF COMPANY INTERESTS; WITHDRAWALS**

Section 7.1 Transfers by Members.

(a) No Member shall transfer, assign, pledge or otherwise hypothecate its interest without Board Approval (which approval shall not be unreasonably withheld). In addition, if a Member is excepted from the definition of an "investment company" (as that term is defined in the Investment Company Act) pursuant to Section 3(c)(1) or Section 3(c)(7) thereof, such Member shall

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

(b) Any Person which acquires a Company interest by assignment in accordance with the provisions of this Agreement shall be admitted as a substitute Member only upon approval of the non-transferring Member. The admission of an assignee as a substitute Member shall be conditioned upon the assignee's written assumption, in form and substance satisfactory to the other Member, of all obligations of the assignor in respect of the assigned interest and execution of an instrument reasonably satisfactory to the other Member whereby such assignee becomes a party to this Agreement.

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

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

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

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

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

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

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

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

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

(f) Each Member hereby unconditionally and irrevocably grants to the other Member or its designee a right of first refusal to purchase all, but not less than all, of any interest in the Company that such assigning Member may propose to assign to another Person, at the same price and on the same terms and conditions as those offered to the prospective assignee. Each Member proposing to make an assignment that is subject to this Section 7.1(f) must deliver a notice to the other Member not later than thirty (30) days prior to the proposed closing date of such assignment. Such notice shall contain the material terms and conditions (including, without limitation, price and form of consideration) of the proposed assignment and the identity of the prospective assignee. To exercise its right of first refusal under this Section 7.1(f), the other Member must deliver a notice to the selling Member within fifteen (15) days of receipt of such notice, stating that it elects to exercise its right of first refusal and, if applicable, providing the identity of any Person(s) (including third parties unaffiliated with the exercising Member) that the non-assigning Member designates as the purchaser(s).

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

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

## **ARTICLE 8 TERM, DISSOLUTION AND LIQUIDATION OF COMPANY**

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

Section 8.2 Dissolution.

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

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

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

(iii) the distribution of all assets of the Company. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon (i) a permitted assignment by such Member of all of its limited liability company interests in the Company and the admission of the transferee pursuant to the terms of this Agreement or (ii) the removal and replacement of such Member pursuant to the terms of this Agreement), to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(b) Notwithstanding Section 8.2(a), and subject to applicable law, the Company shall not be required to wind up, dissolve or terminate if any such action would cause the Company or any Subsidiary to violate any law or contract applicable to any such Person. Without limiting the foregoing, prior to termination of the Credit and Security Agreement in accordance with its terms, upon the occurrence of any event that causes the last remaining Member to cease to be a member of the Company (other than upon continuation of the Company without dissolution upon (i) a permitted assignment by such Member of all of its limited liability company interests in the Company and the admission of the transferee pursuant to the terms of this Agreement or (ii) the removal and replacement of such Member pursuant to the terms of this Agreement), the Independent Board Member shall, without any action of any Person and simultaneously with the last remaining Member ceasing to be a member of the Company, automatically be admitted to the Company as the Special Member (the "Special Member") and shall continue the Company without dissolution. The Special Member may not resign from the Company or transfer its rights as the Special Member unless (i) a successor Special Member has been admitted, with the consent of the Special Member, to the Company as Special Member by executing a counterpart to this Agreement, and (ii) such successor has also accepted its appointment by the Special Member as an Independent Board Member pursuant to Section 6.2(a); provided, however, the Special Member shall automatically cease to be a member (but not an Independent Board Member) of the Company upon the admission to the Company of a substitute managing member elected by the Special Member. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, the Special Member shall not be required to make any capital contributions to the Company and shall not have any limited liability company interest in the Company. The Special Member, in its capacity as the Special Member, may not bind the Company. Except as required by any mandatory provision



of the Act (and other than with respect to the admission of a substitute Member or successor Special Member and the appointment of an Independent Board Member pursuant to Section 6.2(a)), the Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of the Special Member, the person acting as an Independent Board Member pursuant to Section 6.2(a) shall execute a counterpart to this Agreement. Prior to its admission to the Company as the Special Member, the person acting as an Independent Board Member pursuant to Section 6.2(a) shall not be a member of the Company. By signing this Agreement, the Independent Board Member agrees that should the Independent Board Member become a Special Member he shall be subject to and bound by the provisions of this Agreement applicable to the Special Member.

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

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

### Section 8.3 Wind-Up.

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

(b) From and after the date on which an event set forth in Section 8.2(a) becomes effective, the Company shall cease to enter into or make Investments after that date, except for Investments permitted pursuant to clauses (ii) through (v) of Valid Company Purposes. Capital calls against the Capital Commitment of the Members shall cease from and after such effective date; provided that capital calls against the Capital Commitments of the Members may continue to fund all items in clauses (ii) through (vi) of Valid Company Purposes. Subject to the foregoing, the Members shall continue to bear an allocable share of Expenses, indemnification amounts payable under this Agreement and other obligations of the Company until all Investments in which the Company participates (including through any applicable Subsidiaries) are repaid or otherwise disposed of.

(c) Distributions to the Members during the winding-up of the Company shall be made no less frequently than quarterly to the extent consisting of a Member's allocable share of cash and cash equivalents, after taking into account reasonable reserves deemed appropriate by Board Approval to fund (i) Investments in which the Company continues to participate, (ii) Expenses, (iii) indemnification amounts payable under this Agreement, and (iv) all other obligations (including, without limitation, contingent obligations) of the Company (each as set forth in the immediately preceding paragraph). Unless waived by Board Approval, the Company also shall withhold ten percent (10%) of distributions in any calendar year during the winding-up of the Company, which

withheld amount shall be distributed within sixty (60) days after the completion of the annual audit covering such year; *provided* that distributions of any withheld amounts shall be reduced by any amounts owed by a Member as may be revealed upon the completion of such annual audit. Except as otherwise provided herein, a Member shall remain a member of the Company until all Investments in which the Company participates are repaid or otherwise disposed of, all equity interests of the Company in each Subsidiary are redeemed or such Subsidiary is dissolved, the Member's allocable share of all Expenses, indemnification amounts payable under this Agreement, and all other obligations (including, without limitation, contingent obligations) of the Company are paid, and all distributions are made hereunder, at which time the Member shall have no further rights under this Agreement. Notwithstanding the foregoing, in case of the dissolution and winding-up of the Company, and subject to this Section 8.3, distributions may be made in-kind, or a combination of cash and assets (including any debt or equity held by the Company in any Subsidiary), as the Board or liquidating agent may select in its sole and absolute discretion; provided that any distribution-in-kind shall not cause a breach by the Company or any Subsidiary of any applicable law or contract. In the event of any distributions in-kind, the assets to be distributed will be valued pursuant to the valuation procedures set forth herein.

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

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

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

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

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

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

Member that has elected to purchase the other Member's interest may dissolve or continue the Company as it may determine.

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

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

## **ARTICLE 9 ACCOUNTING, REPORTING AND VALUATION PROVISIONS**

### Section 9.1 Books and Accounts.

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

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

### Section 9.2 Financial Reports; Tax Return.

(a) The Company shall engage an independent certified public accountant selected by the Administrative Agent and approved by Board Approval, which approval shall not be unreasonably withheld, to act as the accountant for the Company and to audit the Company's books and accounts as of the end of each fiscal year, commencing for the 2018 fiscal year. As soon as practicable, but no later than ninety (90) days, after the end of such fiscal year, pursuant to the Administrative Services Agreement, the Board shall cause the Administrative Agent to deliver, by any of the methods described in Section 10.8, to each Member and to each former Member who withdrew during such fiscal year:

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

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

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

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

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

(c) Pursuant to the Administrative Services Agreement, as soon as practicable, but in no event later than sixty (60) days, after the end of each of the first three fiscal quarters of a fiscal year, the Board shall cause the Administrative Agent to prepare and deliver, by any of the methods described in Section 10.8, to each Member (i) unaudited financial information (including the Company's balance sheet and statement of income and each Member's Capital Account as of the beginning and end of the related reporting period) with respect to such Member's allocable share of Profit or Loss and changes to its Capital Account as of the end of such fiscal quarter and for the portion of the fiscal year then ended, (ii) a statement of holdings of assets of the Company as to which such Member participates, including both the cost and the valuation of such assets as determined pursuant to Section 9.4, and (iii) such other financial information as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to monitor and evaluate its interest in the Company or to comply with regulatory requirements applicable to it.

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

to enable such Member to monitor and evaluate its interest in the Company or to comply with regulatory requirements applicable to it.

### Section 9.3 Confidentiality.

(a) Each Member agrees to maintain the confidentiality of all records, reports and affairs of the Company (including relating to any Subsidiary or Alternative Investment Vehicle), and all information and materials furnished to such Member by the Company, any Subsidiary, any other Member, NMFC's investment adviser, SkyKnight's investment adviser, the Administrative Agent or any of their respective Affiliates with respect to their respective businesses and activities; each Member agrees not to provide to any other Person copies of any financial statements, tax returns or other records or reports, or other information or materials, provided or made available to such Member; and each Member agrees not to disclose to any other Person any information contained therein (including any information respecting Portfolio Companies), without the express prior written consent of the Member that is the non-disclosing party or, if the Company is the disclosing party, each of the other Members; provided that each Member may disclose (i) any such information to its investment adviser and investment sub-adviser, or as such Member reasonably believes may be required in connection with the filing of its Registration Statement on Form N-2 or other SEC filings and any periodic reports under the Securities Exchange Act of 1934, as amended, (i) with Board Approval, the names of borrowers of loans and other investments held by the Company, directly or indirectly through a Subsidiary or otherwise, and summaries of such loan transactions and other investments in any marketing materials (including tombstone ads) in connection with the publication in the ordinary course of business of marketing and investor relation documents and communications by such Member or its Affiliates, (i) in any press release or other similar public statements that concerns the Company and/or the subject matter of this Agreement and is approved by Board Approval; and (i) aggregate quarterly or annual portfolio performance metrics relating to prior periods at least 90 days after completion of such periods; provided, further, that any Member may provide financial statements, tax returns and other information contained therein (I) to its Affiliates and the accountants, internal and external auditors, legal counsel, financial advisors and other fiduciaries and representatives (who may be Affiliates of such Member) of such Member and its Affiliates as long as such Member or its Affiliates instructs such Persons to maintain the confidentiality thereof and not to disclose to any other Person any information contained therein (in each instance, to the same extent and subject to the terms and conditions set forth in this Section 9.3); (II) to potential transferees of such Member's Company interest that agree in writing, for the benefit of the Company, to maintain the confidentiality thereof, but only after reasonable advance notice to the Company; (III) if and to the extent required by law (including judicial or administrative order); provided that, to the extent legally permissible, the Company is given prior notice to enable it to seek a protective order or similar relief; (IV) to representatives of any governmental regulatory agency or authority with jurisdiction over such Member or any of its Affiliates, or as otherwise may be necessary to comply with regulatory requirements applicable to such Member or any of its Affiliates; (V) as required or advisable to obtain financing directly or indirectly by the Company or by a Subsidiary or by the Member or as required or permitted to be disclosed under any related offering or transaction documents; and (VI) in order to enforce rights under this Agreement. Notwithstanding the foregoing, the following shall not be considered confidential information for purposes of this Agreement: (1) information that is publicly available; (2) information obtained by a Member from a third party who is not prohibited from disclosing the information; (3) information in the possession of a Member prior to its disclosure by the Company, a Subsidiary, another Member, NMFC's investment adviser, NMFC's investment sub-adviser, SkyKnight's investment adviser, SkyKnight's investment sub-adviser, the Administrative Agent or any of their respective Affiliates;

or (4) information which a Member can show by written documentation was developed independently of disclosure by the Company, a Subsidiary, another Member, NMFC's investment adviser, NMFC's investment sub-adviser, SkyKnight's investment adviser, SkyKnight's investment sub-adviser, the Administrative Agent or any of their respective Affiliates. Without limitation to the foregoing, no Member shall engage in the purchase, sale or other trading of securities or derivatives thereof based upon confidential information received from the Company, a Subsidiary, another Member, NMFC's investment adviser, SkyKnight's investment adviser, the Administrative Agent or any of their respective Affiliates.

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

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

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

#### Section 9.4 Valuation.

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

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

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

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

(iv) Notwithstanding the terms of foregoing provisions of this Section 9.4, liabilities of the Company, each Subsidiary and each Alternative Investment Vehicle shall be taken into account at the amounts at which they are carried on the books of the Company, each Subsidiary and each Alternative Investment Vehicle, as the case may be, and provision shall be made in accordance with GAAP for contingent or other liabilities not reflected on such books and, in the case of the liquidation of the Company, for the expenses (to be borne by the Company) of the liquidation and winding-up of the Company's affairs.

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

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

## **ARTICLE 10 MISCELLANEOUS PROVISIONS**

Section 10.1 Power of Attorney.

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

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

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

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

It is expressly acknowledged by each Member that the foregoing power of attorney is coupled with an interest and shall survive death, legal incapacity and assignment by such Member of its interest in the Company; provided, however, that if a Member shall assign all of its interest in the Company and the assignee shall, in accordance with the provisions of this Agreement, become a substitute Member, such power of attorney shall survive such assignment only for the purpose of enabling each attorney-in-fact to execute, acknowledge, swear to and file any and all instruments necessary to effect such substitution.

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

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



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

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

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

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

Section 10.7 Waivers.

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

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

Section 10.8 Notices. All notices, demands, solicitations of consent or approval, and other communications hereunder shall be in writing or by electronic mail (with or without attached PDFs), and shall be sufficiently given if (a) personally delivered, (b) sent by postage prepaid, registered or certified mail, return receipt requested, (c) sent by electronic mail, (d) sent by a reputable overnight courier or (e) sent by facsimile transmission, addressed as follows: if intended for the Company, to the Company's principal business office determined pursuant to Section 2.3; and if intended for any Member, to the address of such Member set forth on the Company's records, or to such other address as any Member may designate by written notice. Notices shall be deemed to have been given (i) when personally delivered, (ii) if sent by registered or certified mail, on the earlier of (A) three days after the date on which deposited in the mails or

(B) the date on which received, or (iii) if sent by electronic mail, overnight courier or facsimile transmission, on the date on which received; provided that notices of a change of address shall not be deemed given until the actual receipt thereof. The provisions of this Section 10.8 shall not prohibit the giving of written notice in any other manner; any such written notice shall be deemed given only when actually received.

#### Section 10.9 Construction.

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

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

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

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

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

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

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

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

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

(j) The term “including” shall mean “including without limitation.”

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

Section 10.10 Amendments.

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

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

(c) Notwithstanding anything to the contrary in this Agreement or in any other document governing the formation, management or operation of the Company, for so long as any obligation under the Credit and Security Agreement is outstanding, neither the Members nor the Company shall amend, alter or change any of Sections 2.4, 2.9, 3.1, 3.2, 5.3(c), 6.2(a), 6.4(b), 6.7(b), 6.11(b), 6.14(f), 8.2(b), this Section 10.10 or Article 1 of this Agreement (to the extent that the terms defined in Article 1 are used in any of the foregoing sections) (the "Special Purpose Provisions"), or any other provisions of this or any other document governing the formation, management or operation of the Company in a manner that is inconsistent with any of the Special Purpose Provisions, unless the CSA Administrative Agent consents in advance and in writing and such action has been approved by the prior unanimous written consent of all of the Board Members, including the Independent Board Member (and no such actions shall be taken or authorized unless there is at least one Independent Board Member then serving in such capacity). The Special Purpose Provisions shall restrict all Subsidiaries and Alternative Investment Vehicles to the same extent such provisions restrict the Company. In the event of any conflict between any of the Special Purpose Provisions and any other provision of this or any other document governing the formation, management or operation of the Company, a Subsidiary or an Alternative Investment Vehicle, the Special Purpose Provisions shall control. The lenders under the Credit and Security Agreement, and their respective successors or assigns, are intended third-party beneficiaries of this Agreement and may enforce the Special Purpose Provisions.

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

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

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

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

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

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

*[Remainder of page left blank]*

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

SkyKnight Income II, LLC

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

By: SkyKnight Capital Management, LLC, its general partner

By: /s/ Matthew Ebbel

Name: Matthew Ebbel

Title: Authorized Signatory

New Mountain Finance Corporation

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

Independent Board Member

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

**Schedule A**

**Member List**

**Dated as of: April 25, 2018**

<b><u>Member</u></b>	<b><u>Address</u></b>	<b><u>Capital Commitment</u></b>	<b><u>Capital Contributions (since Formation)</u></b>	<b><u>Proportionate Share</u></b>
SkyKnight Income II, LLC	SkyKnight Capital, L.P. One Letterman Drive, Building C, Suite 3-950 San Francisco, CA 94129	\$20,000,000	\$0	20.0%
New Mountain Finance Corporation	787 Seventh Avenue, 48th Floor, New York, NY 10019	\$80,000,000	\$0	80.0%

## Schedule B

### Partial List of Company Actions Requiring Board Approval

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

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

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

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

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

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

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

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

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

- (ix) Replace the Administrative Agent for the Company, or amend, modify or waive the terms of the Administrative Services Agreement, in each instance other than in accordance with the terms of the Administrative Services Agreement;
- (x) Approve a sub-administration agreement, or amend, modify or waive the terms of a sub-administration agreement;
- (xi) Engage and/or replace the independent certified public accounting firm for the Company, or amend, modify or waive the terms of such engagement;
- (xii) Engage and/or replace other service providers who shall provide services to the Company or its business and negotiate, amend, modify or waive the terms of and such engagement;
- (xiii) Admit a substitute or new Member or approve a transfer or pledge of an interest in the Company in accordance with Article 7, except as provided otherwise herein, including pursuant to Section 7.1(a);
- (xiv) Amend, modify or waive any provision of this Agreement;
- (xv) Make non-mandatory accounting determinations that affect reported results of operations, balance sheet items or changes in cash flows of the Company;
- (xvi) Approve or change the valuation process or procedures to be implemented by the Administrative Agent, including the selection, engagement or termination of third-party service providers;
- (xvii) Accept valuations of any assets or liabilities of the Company;
- (xviii) Approve the participation by the Administrative Agent on behalf of the Company on creditors' committees and any decisions or votes by the Administrative Agent on such committees that would have an impact on, or result in a modification to, the Investment (any such decision or vote by the Administrative Agent to be at the direction of the Board);
- (xix) Change the name or principal office, or open additional offices;
- (xx) File for bankruptcy;
- (xxi) Commence or settle any claims or litigation;
- (xxii) Approve a drawdown of all or any portion of the unpaid balances of the Capital Commitments of the Members, and authorize issuance of the related Capital Call Notice to the Members;
- (xxiii) Determination of reasonable reserves required by the terms of this Agreement or otherwise appropriate for the Company, including any Reserved Amounts;
- (xxiv) Determination of amounts, if any, available for distribution to the Members, and authorization to proceed with any such distributions;



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

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

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

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

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

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

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

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

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

**Schedule C**

**Initial Capital Contributions**

Initial Capital Contributions of SkyKnight Income II, LLC:

<u>Asset</u>	<u>Value</u>
Cash	\$0
Other Assets	\$0
<b>Total</b>	\$—

Initial Capital Contributions of New Mountain Finance Corporation:

<u>Asset</u>	<u>Value</u>
Cash	\$0
Other Assets	\$0
<b>Total</b>	\$—

## Schedule D

### Member Capital Commitments

<u>Member</u>	<u>% of Total Capital Commitments</u>	<u>Capital Commitment</u>
SkyKnight Income II, LLC	20.0%	\$20,000,000
New Mountain Finance Corporation	80.0%	\$80,000,000
<b>Total</b>	<b>100%</b>	<b>\$100,000,000</b>

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## Section 3: 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 7th day of May, 2018

/s/ ROBERT A. HAMWEE

Robert A. Hamwee

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## Section 4: 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 7th day of May, 2018

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

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## Section 5: 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, 2018 (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 7, 2018

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## Section 6: 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, 2018 (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 7, 2018

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