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## Section 1: 497 (497)

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Filed Pursuant to Rule 497  
Securities Act File No. 333-230326

PROSPECTUS SUPPLEMENT  
(to Prospectus dated April 29, 2019)

6,000,000 Shares

### New Mountain Finance Corporation

Common Stock

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New Mountain Finance Corporation ("NMFC," the "Company," "we," "us," and "our") is a Delaware corporation that was originally incorporated on June 29, 2010. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"). 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. Our first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests. Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance.

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. 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 our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our 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. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

We are offering for sale 6,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 900,000 additional shares of our common stock at the public offering price, less underwriting discounts and commissions.

Our common stock is listed on the New York Stock Exchange under the symbol "NMFC". On July 5, 2019, the last reported sales price on the New York Stock Exchange for our common stock was \$14.02 per share, and the net asset value per share of our common stock on March 31, 2019 (the last date prior to the date of this prospectus supplement on which we determined our net asset value per share) was \$13.45.

**An investment in our common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which we invest in are subject to special risks. See "Risk Factors" beginning on page 22 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.**

This prospectus supplement and the accompanying prospectus contain important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before investing and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (<http://www.sec.gov>), which are available free of charge by contacting us by mail at 787 Seventh Avenue, 48th Floor, New York, New York 10019 or on our website at <http://www.newmountainfinance.com>. Information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement and the accompanying prospectus.

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Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus

supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total(2)</u>
Public Offering Price	\$ 13.68	\$ 82,080,000
Sales Load payable by us (Underwriting Discounts and Commissions)(1)(3)	\$ 0.03	\$ 180,000
Proceeds to us (before expenses)(1)	\$ 13.65	\$ 81,900,000
Sales Load payable to the underwriters by Investment Adviser (Underwriting Discounts and Commissions)(1)(2)(3)	\$ 0.39	\$ 2,340,000

- (1) New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") has agreed to bear \$2,340,000, or \$0.39 per share, of the sales load in connection with this offering, which is reflected in the above table. All payments made by the Investment Adviser will not be subject to reimbursement by us. All other expenses of the offering will be borne by us. We will incur approximately \$0.3 million of estimated expenses in connection with this offering.
- (2) To the extent that the underwriters sell more than 6,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 900,000 shares of our common stock at the public offering price, less the sales load, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price, sales load payable by us, proceeds to us and sales load payable by the Investment Adviser will be \$94,392,000, \$207,000, \$94,185,000 and \$2,691,000, respectively. See "Underwriting".
- (3) See "Underwriting" for details of compensation to be received by the underwriters.

The underwriters expect to deliver the shares against payment in New York, New York on or about July 11, 2019.

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*Joint-Lead Bookrunners*

**Wells Fargo  
Securities**

**Morgan Stanley**

**Goldman Sachs & Co. LLC**

**Keefe, Bruyette & Woods  
A Stifel Company**

**Deutsche Bank Securities**

**UBS Investment Bank**

*Co-Managers*

**Janney Montgomery Scott**

**Oppenheimer & Co.**

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**Prospectus Supplement dated July 8, 2019**

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## ABOUT THIS PROSPECTUS SUPPLEMENT

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, these securities by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of these securities. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. Please carefully read this prospectus supplement and the accompanying prospectus together with any exhibits and the additional information described under "Available Information" and "Prospectus Supplement Summary" in this prospectus supplement and the "Available Information", "Prospectus Summary" and "Risk Factors" sections of the accompanying prospectus before you make an investment decision. Unless otherwise indicated, all information included in this prospectus supplement assumes no exercise by the underwriters of their option to purchase up to an additional 900,000 shares of our common stock.

This prospectus supplement includes summaries of certain provisions contained in some of the documents described in this prospectus supplement, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed, or will be incorporated by reference as exhibits to the registration statement of which this prospectus supplement is a part, and you may obtain copies of those documents as described in the section titled "Available Information."

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It may not contain all the information that is important to you. For a more complete understanding, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents to which we have referred in this prospectus supplement, together with the accompanying prospectus, including the risks set forth under "Risk Factors" in the accompanying prospectus, and the other information included in this prospectus supplement and the accompanying prospectus.*

*In this prospectus supplement, unless the context otherwise requires, references to:*

- *"NMFC", the "Company", "we", "us" and "our" refers to New Mountain Finance Corporation, a Delaware corporation, which was incorporated on June 29, 2010, including, where appropriate, its wholly-owned direct and indirect subsidiaries;*
- *"NMF Holdings" and "Predecessor Operating Company" refers to New Mountain Finance Holdings, L.L.C., a Delaware limited liability company;*
- *"NMF SLF" refers to New Mountain Finance SPV Funding, L.L.C., a Delaware limited liability company;*
- *"NMNLC" refers to New Mountain Net Lease Corporation, a Maryland corporation;*
- *"NMFDB" refers to New Mountain Finance DB, L.L.C., a Delaware limited liability company;*
- *"SBIC I GP" refers to New Mountain Finance SBIC G.P. L.L.C., a Delaware limited liability company;*
- *"SBIC I" refers to New Mountain Finance SBIC L.P., a Delaware limited partnership;*
- *"SBIC II GP" refers to New Mountain Finance SBIC II G.P. L.L.C., a Delaware limited liability company;*
- *"SBIC II" refers to New Mountain Finance SBIC II L.P., a Delaware limited partnership;*
- *"Guardian AIV" refers to New Mountain Guardian AIV, L.P.;*
- *"AIV Holdings" refers to New Mountain Finance AIV Holdings Corporation, a Delaware corporation which was incorporated on March 11, 2011, of which Guardian AIV was the sole stockholder;*
- *"Investment Adviser" refers to New Mountain Finance Advisers BDC, L.L.C., our investment adviser;*
- *"Administrator" refers to New Mountain Finance Administration, L.L.C., our administrator;*
- *"New Mountain Capital" refers to New Mountain Capital Group, L.P. together with New Mountain Capital, L.L.C. and its affiliate whose ultimate owners include Steven B. Klinsky and other related vehicles;*
- *"Predecessor Entities" refers to New Mountain Guardian (Leveraged), L.L.C. and New Mountain Guardian Partners, L.P., together with their respective direct and indirect wholly-owned subsidiaries prior to our initial public offering;*
- *"NMFC Credit Facility" refers to our Senior Secured Revolving Credit Agreement with Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, dated June 4, 2014, as amended (together with the related guarantee and security agreement);*
- *"Holdings Credit Facility" refers to NMF Holdings' Third Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 24, 2017, as amended;*

- *"DB Credit Facility" refers to NMFDB's Loan Financing and Servicing Agreement with Deutsche Bank, AG, New York Branch, dated December 14, 2018, as amended;*
- *"NMNLC Credit Facility" refers to NMNLC's Revolving Credit Agreement with KeyBank National Association, dated September 21, 2018;*
- *"Predecessor Holdings Credit Facility" refers to NMF Holdings' Amended and Restated Loan and Security Agreement with Wells Fargo Bank, National Association, dated May 19, 2011, as amended;*
- *"SLF Credit Facility" refers to NMF SLF's Loan and Security Agreement with Wells Fargo Bank, National Association, dated October 27, 2010, as amended;*
- *"2014 Convertible Notes" refers to our 5.00% convertible notes due June 15, 2019 issued on June 3, 2014 and September 30, 2016 under an indenture dated June 3, 2014, between us and U.S. Bank National Association, as trustee;*
- *"2016 Unsecured Notes" refers to our 5.313% unsecured notes due May 15, 2021 issued on May 6, 2016 and September 30, 2016 to institutional investors in a private placement;*
- *"2017A Unsecured Notes" refers to our 4.760% unsecured notes due July 15, 2022 issued on June 30, 2017 to institutional investors in a private placement;*
- *"2018A Unsecured Notes" refers to our 4.870% unsecured notes due January 30, 2023 issued on January 30, 2018 to institutional investors in a private placement;*
- *"2018B Unsecured Notes" refers to our 5.36% unsecured notes due June 28, 2023 issued on July 5, 2018 to institutional investors in a private placement;*
- *"2019A Unsecured Notes" refers to our 5.494% unsecured notes due April 30, 2024 issued on April 30, 2019 to institutional investors in a private placement;*
- *"Existing 2018 Convertible Notes" refers to our 5.75% convertible notes due August 15, 2023 issued on August 20, 2018 and August 30, 2018 under an indenture and a first supplemental indenture, both dated August 20, 2018, between us and U.S. Bank National Association, as trustee;*
- *"5.75% Unsecured Notes" refers to our 5.75% unsecured notes due October 1, 2023, issued on September 25, 2018 and October 17, 2018 under an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 between us and U.S. Bank National Association, as trustee;*
- *"Unsecured Notes" refers to the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes, the 2018B Unsecured Notes and the 5.75% Unsecured Notes;*
- *"Existing Convertible Notes" refers to the 2014 Convertible Notes, prior to their repayment on June 15, 2019, and the Existing 2018 Convertible Notes; and*
- *"Additional 2018 Convertible Notes" refers to our 5.75% convertible notes due August 15, 2023 issued on June 7, 2019 under an indenture and a first supplemental indenture, both dated August 20, 2018, between us and U.S. Bank National Association, as trustee.*

*For the periods prior to and as of December 31, 2013, all financial information provided in this prospectus supplement and accompanying prospectus reflect our organizational structure prior to the restructuring on May 8, 2014 described in "Note 1. Formation and Business Purpose — Restructuring" to our consolidated financial statements included in the accompanying prospectus, where NMF Holdings functioned as the operating company.*

## 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").

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. The Investment Adviser also manages New Mountain Guardian Partners II, L.P., a Delaware limited partnership, and New Mountain Guardian II Offshore, L.P., a Cayman Islands exempted limited partnership, (together "Guardian II"), which commenced operations in April 2017. The Administrator, a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

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

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2019, our top five industry concentrations were business services, software, healthcare services, education and investment funds (which includes our investments in our joint ventures).

The investments that we invest in are almost entirely rated below investment grade or may be unrated, which are often referred to as "leveraged loans", "high yield" or "junk" debt investments, and may be considered "high risk" or speculative compared to debt investments that are rated investment grade. 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 our net asset value and income distributions. Our investments are also primarily floating rate debt investments that contain interest reset provisions that may make it more difficult for borrowers to make debt repayments to us if interest rates rise. In addition, some of our 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. Our debt investments may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these securities. This illiquidity may make it more difficult to value our investments.

As of March 31, 2019, our net asset value was \$1,083.3 million and our portfolio had a fair value of approximately \$2,522.3 million in 97 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") of approximately 10.0% and a weighted average

yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 10.0%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments uses the London Interbank Offered Rate ("LIBOR") curves at each quarter's end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

### **Recent Developments**

On April 1, 2019, after receiving the required stockholder approval, we amended our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 100,000,000 shares to 200,000,000 shares.

On April 30, 2019, we entered into a fourth supplement (the "Supplement") to our Amended and Restated Note Purchase Agreement, dated September 30, 2016 (the "NPA"). Pursuant to the Supplement, on April 30, 2019, we issued to certain institutional investors identified therein, in a private placement, \$116.5 million in aggregate principal amount of 5.494% Series 2019A Notes due April 30, 2024 as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2019A Unsecured Notes have the same terms as the \$90.0 million in aggregate principal amount of the 5.313% Notes due May 15, 2021, the \$55.0 million in aggregate principal amount of the 4.760% Series 2017A Notes due July 15, 2022, the \$90.0 million in aggregate 4.870% Series 2018A Notes due January 30, 2023 and the \$50.0 million in aggregate principal amount of the 5.360% Series 2018B Notes due June 28, 2023 (collectively, the "Prior Notes") that we previously issued pursuant to the NPA and the first, second and third supplement thereto, respectively. The 2019A Unsecured Notes will rank equal in priority with our other unsecured indebtedness, including the Prior Notes. Interest on the 2019A Unsecured Notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2019.

On May 1, 2019, our board of directors declared a second quarter 2019 distribution of \$0.34 per share which was paid on June 28, 2019 to holders of record as of June 14, 2019.

On May 7, 2019, we entered into the Third Amendment to Loan and Security Agreement (the "Third Amendment"), which amended the Holdings Credit Facility, by and among us, as the collateral manager, NMF Holdings, as the borrower, Wells Fargo Bank, National Association ("Wells Fargo Bank"), as the administrative agent, the lenders party thereto (the "Lenders"), and Wells Fargo Bank, as collateral custodian. The Third Amendment increased the maximum amount of the Holdings Credit Facility from \$695.0 million to \$800.0 million. Fifth Third Bank was joined to the Holdings Credit Facility through a Joinder Supplement, dated May 7, 2019, and certain existing Lenders increased their commitments such that, as of the date of the Third Amendment, the aggregate commitments of the Lenders equals \$720.0 million. The Holdings Credit Facility continues to have a revolving period ending on October 24, 2020, and will still mature on October 24, 2022.

On June 7, 2019, we closed a public offering of an additional \$86.25 million in aggregate principal amount of Additional 2018 Convertible Notes, which includes \$11.25 million in aggregate principal amount of the Additional 2018 Convertible Notes that were issued pursuant to the full exercise of the option granted to the underwriters to purchase Additional 2018 Convertible Notes. The Additional 2018 Convertible Notes were priced at 100.5% of par value, plus accrued interest from February 15, 2019. The total net proceeds from the offering, exclusive of accrued interest from February 15, 2019 and offering expenses, was \$86.25 million. The Additional 2018 Convertible Notes issued constitute a further issuance

of, rank equally in right of payment with, and form a single series with the \$115.0 million in aggregate principal amount of the Existing 2018 Convertible Notes issued in August 2018.

On June 15, 2019 the outstanding 2014 Convertible Notes of \$155.3 million matured and we repaid the principal and interest in cash.

Due to the untimely death of Kurt J. Wolfgruber on June 17, 2019, as of the date of this prospectus supplement, our Board of Directors does not consist of a majority of non-interested persons, as such term is defined in Section 2(a)(19) of the 1940 Act. However, in accordance with Section 56(b) of the 1940 Act, the requirement to have a majority of non-interested persons on our Board of Directors is suspended for 90 days. We are actively searching for a new non-interested person to add to our Board of Directors and expect to have a Board of Directors that consists of a majority of non-interested persons within the time period prescribed by the 1940 Act. Moreover, Rome G. Arnold replaced Mr. Wolfgruber as the Chairman of our Audit Committee.

On June 28, 2019, we entered into Amendment No. 2 to the Loan Financing and Servicing Agreement (the "Second Amendment"), which amended the DB Credit Facility, by and among us, as the equityholder and the servicer, NMFDB, as the borrower, Deutsche Bank AG, New York Branch ("DBNY"), as the facility agent, U.S. Bank National Association, as the collateral agent and collateral custodian, and DBNY as agent and lender, and each of the other lenders and agents parties from time to time party thereto. The Second Amendment, among other things, increased the maximum facility amount and the commitment of DBNY under the DB Credit Facility from \$100.0 million to \$150.0 million and lowered the applicable margin for calculating interest from 2.85% per annum to 2.60% per annum. The DB Credit Facility continues to have a revolving period ending on December 14, 2021, and will still mature on December 14, 2023.

We had approximately \$183.3 million of originations and commitments since the end of the first quarter through June 30, 2019. This was offset by approximately \$68.3 million of repayments during the same period.

#### ***Preliminary Estimates of Net Asset Value and Net Investment Income***

Set forth below is a preliminary estimate of our net asset value per share as of June 30, 2019 and a preliminary estimate of our net investment income per share range for the three months ended June 30, 2019. The following estimates are not a comprehensive statement of our financial condition or results for the period ended June 30, 2019. We advise you that our actual results for the three months ended June 30, 2019 may differ materially from these estimates, which are given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments, including changes in interest rates, changes in the businesses to whom we have made loans or market and industry fluctuations, which may arise between now and the time that our financial results for the three months ended June 30, 2019 are finalized. This information is inherently uncertain.

As of the date of this prospectus supplement, we estimate that our net asset value per share as of June 30, 2019 was approximately \$13.40 to \$13.50.

As of the date of this prospectus supplement, we currently expect that our net investment income per share was between \$0.34 and \$0.35 for the three months ended June 30, 2019.

The preliminary financial estimates provided herein have been prepared by, and are the responsibility of, management. Neither Deloitte & Touche LLP, our independent registered public accounting firm, nor any other independent accountants have audited, reviewed, compiled, or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, Deloitte & Touche LLP does not express an opinion or any form of assurance with respect thereto and assumes no responsibility for, and disclaims any association with, this information.

### **The Investment Adviser**

The Investment Adviser, a wholly-owned subsidiary of New Mountain Capital, manages our day-to-day operations and provides us with investment advisory and management services. In particular, the Investment Adviser is responsible for identifying attractive investment opportunities, conducting research and due diligence on prospective investments, structuring our investments and monitoring and servicing our investments. We currently do not have, and do not intend to have, any employees. The Investment Adviser also manages Guardian II, which commenced operations in April 2017. As of March 31, 2019, the Investment Adviser was supported by over 145 employees and senior advisors of New Mountain Capital.

The Investment Adviser is managed by a five member investment committee (the "Investment Committee"), which is responsible for approving purchases and sales of our investments above \$10.0 million in aggregate by issuer. The Investment Committee currently consists of Steven B. Klinsky, Robert A. Hamwee, Adam B. Weinstein and John R. Kline. The fifth and final member of the Investment Committee will consist of a New Mountain Capital Managing Director who will hold the position on the Investment Committee on an annual rotating basis. Beginning in August 2018, Andre V. Moura was appointed to the Investment Committee for a one year term. In addition, our executive officers and certain investment professionals of the Investment Adviser are invited to all Investment Committee meetings. Purchases and dispositions below \$10.0 million may be approved by our Chief Executive Officer. These approval thresholds are subject to change over time. We expect to benefit from the extensive and varied relevant experience of the investment professionals serving on the Investment Committee, which includes expertise in private equity, primary and secondary leveraged credit, private mezzanine finance and distressed debt.

### **Competitive Advantages**

We believe that we have the following competitive advantages over other capital providers to middle market companies:

#### ***Proven and Differentiated Investment Style With Areas of Deep Industry Knowledge***

In making its investment decisions, the Investment Adviser applies New Mountain Capital's long-standing, consistent investment approach that has been in place since its founding in 1999. We focus on companies in defensive growth niches of the middle market space where we believe few debt funds have built equivalent research and operational size and scale.

We benefit directly from New Mountain Capital's private equity investment strategy that seeks to identify attractive investment sectors from the top down and then works to become a well positioned investor in these sectors. New Mountain Capital focuses on companies and industries with sustainable strengths in all economic cycles, particularly ones that are defensive in nature, that have secular tailwinds and can maintain pricing power in the midst of a recessionary and/or inflationary environment. New Mountain Capital focuses on companies within sectors in which it has significant expertise (examples include software, education, niche healthcare, business services, federal services and distribution & logistics) while typically avoiding investments in companies with products or services that serve markets that are highly cyclical, have the potential for long-term decline, are overly-dependent on consumer demand or are commodity-like in nature.

In making its investment decisions, the Investment Adviser has adopted the approach of New Mountain Capital, which is based on three primary investment principles:

1. A generalist approach, combined with proactive pursuit of the highest quality opportunities within carefully selected industries, identified via an intensive and structured ongoing research process;
2. Emphasis on strong downside protection and strict risk controls; and

3. Continued search for superior risk adjusted returns, combined with timely, intelligent exits and outstanding return performance.

#### ***Experienced Management Team and Established Platform***

The Investment Adviser's team members have extensive experience in the leveraged lending space. Steven B. Klinsky, New Mountain Capital's Founder, Chief Executive Officer and Managing Director and Chairman of our board of directors, was a general partner of Forstmann Little & Co., a manager of debt and equity funds totaling multiple billions of dollars in the 1980s and 1990s. He was also a co-founder of Goldman, Sachs & Co. LLC's Leverage Buyout Group in the period from 1981 to 1984. Robert A. Hamwee, our Chief Executive Officer and Managing Director of New Mountain Capital, was formerly President of GSC Group, Inc. ("GSC"), where he was the portfolio manager of GSC's distressed debt funds and led the development of GSC's CLOs. John R. Kline, our President and Chief Operating Officer and Managing Director of New Mountain Capital, worked at GSC as an investment analyst and trader for GSC's control distressed and corporate credit funds and at Goldman, Sachs & Co. LLC in the Credit Risk Management and Advisory Group.

Many of the debt investments that we have made to date have been in the same companies with which New Mountain Capital has already conducted months of intensive acquisition due diligence related to potential private equity investments. We believe that private equity underwriting due diligence is usually more robust than typical due diligence for loan underwriting. In its underwriting of debt investments, the Investment Adviser is able to utilize the research and hands-on operating experience that New Mountain Capital's private equity underwriting teams possess regarding the individual companies and industries. Business and industry due diligence is led by a team of investment professionals of the Investment Adviser that generally consists of three to seven individuals, typically based on their relevant company and/or industry specific knowledge. Additionally, the Investment Adviser is also able to utilize its relationships with operating management teams and other private equity sponsors. We believe this differentiates us from many of our competitors.

#### ***Significant Sourcing Capabilities and Relationships***

We believe the Investment Adviser's ability to source attractive investment opportunities is greatly aided by both New Mountain Capital's historical and current reviews of private equity opportunities in the business segments we target. To date, a significant majority of the investments that we have made are in the debt of companies and industry sectors that were first identified and reviewed in connection with New Mountain Capital's private equity efforts, and the majority of our current pipeline reflects this as well. Furthermore, the Investment Adviser's investment professionals have deep and longstanding relationships in both the private equity sponsor community and the lending/agency community which they have and will continue to utilize to generate investment opportunities.

#### ***Risk Management through Various Cycles***

New Mountain Capital has emphasized tight control of risk since its inception. To date, New Mountain Capital has never experienced a bankruptcy of any of its portfolio companies in its private equity efforts. The Investment Adviser seeks to emphasize tight control of risk with our investments in several important ways, consistent with New Mountain Capital's historical approach. In particular, the Investment Adviser:

- Emphasizes the origination or purchase of debt in what the Investment Adviser believes are defensive growth companies, which are less likely to be dependent on macro-economic cycles;
- Targets investments in companies that are preeminent market leaders in their own industries, and when possible, investments in companies that have strong management teams whose skills are difficult for competitors to acquire or reproduce; and

- Targets investments in companies with significant equity value in excess of our debt investments.

#### ***Access to Non Mark to Market, Seasoned Leverage Facility***

The amount available under the Holdings Credit Facility and DB Credit Facility are generally not subject to reduction as a result of mark to market fluctuations in our portfolio investments. None of our credit facilities, with the exception of the NMNLC Credit Facility, which matures in September 2019, mature prior to June 2022. For a detailed discussion of our credit facilities, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Liquidity and Capital Resources" in this prospectus supplement.

#### **Market Opportunity**

We believe that the size of the market for investments that we target, coupled with the demands of middle market companies for flexible sources of capital at competitive terms and rates, create an attractive investment environment for us.

- *Large pool of uninvested private equity capital available for new buyouts.* We expect that private equity firms will continue to pursue acquisitions and will seek to leverage their equity investments with mezzanine loans and/or senior loans (including traditional first and second lien, as well as unitranche loans) provided by companies such as ours.
- *The leverage finance market has a high level of financing needs over the next several years due to significant bank debt maturities.* We believe that the large dollar volume of loans that need to be refinanced will present attractive opportunities to invest capital in a manner consistent with our stated objectives.
- *Middle market companies continue to face difficulties in accessing the capital markets.* We believe opportunities to serve the middle market will continue to exist. While many middle market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings.
- *Increased regulatory scrutiny of banks has reduced middle market lending.* We believe that many traditional bank lenders to middle market businesses have either exited or de-emphasized their service and product offerings in the middle market. These traditional lenders have instead focused on lending and providing other services to large corporate clients. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.
- *Conservative loan to value.* As a result of the credit crisis, many lenders are requiring larger equity contributions from financial sponsors. Larger equity contributions create an enhanced margin of safety for lenders because leverage is a lower percentage of the implied enterprise value of the company.
- *Attractive pricing.* Reduced access to, and availability of, debt capital typically increases the interest rates, or pricing, of loans for middle market lenders. Recent primary debt transactions in this market often include upfront fees, original issue discount, prepayment protections and, in some cases, warrants to purchase common stock, all of which should enhance the profitability of new loans to lenders.

#### **Operating and Regulatory Structure**

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act and are required to maintain an asset coverage ratio, as defined

in the 1940 Act, of at least 150.0% (which means we can borrow \$2 for every \$1 of our equity), which was reduced from 200% effective as of June 9, 2018 by approval of our stockholders. Changing the asset coverage ratio permits us to double our leverage, which may result in increased leverage risk and increased expenses. We include the assets and liabilities of our consolidated subsidiaries for purposes of satisfying the requirements under the 1940 Act. See "Regulation — Senior Securities" in the accompanying prospectus.

We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. See "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus. As a RIC, we generally will not be subject to corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends if we meet certain source-of-income, distribution and asset diversification requirements. We intend to distribute to our stockholders substantially all of our annual taxable income except that we may retain certain net capital gains for reinvestment.

We have established the following wholly-owned direct and indirect subsidiaries:

- NMF Holdings and NMFDB, whose assets are used secure the NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- SBIC I and SBIC II, who have received licenses from the United States ("U.S.") Small Business Administration (the "SBA") to operate as small business investment companies ("SBICs") under Section 301(c) of the Small Business Investment Act of 1958, as amended (the "1958 Act") and their general partners, SBIC I GP and SBIC II GP, respectively;
- NMNLC, which acquires commercial real properties that are subject to "triple net" leases and which has elected to be treated, and intends to continue to qualify annually, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;
- NMF Ancora Holdings Inc. ("NMF Ancora"), NMF QID NGL Holdings, Inc. ("NMF QID") and NMF YP Holdings Inc. ("NMF YP"), which serve as tax blocker corporations by holding 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 but 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; and
- New Mountain Finance Servicing, L.L.C. ("NMF Servicing"), which serves as the administrative agent on certain investment transactions.

### **Risks**

An investment in our common stock involves risk, including the risk of leverage and the risk that our operating policies and strategies may change without prior notice to our stockholders or prior stockholder approval. See "Risk Factors" in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock. The value of our assets, as well as the market price of our common stock, will fluctuate. Our investments may be risky, and you may lose all or part of your investment. Investing in us involves other risks, including the following:

- We may suffer credit losses;
- We do not expect to replicate the Predecessor Entities' historical performance or the historical performance of other entities managed or supported by New Mountain Capital;
- There is uncertainty as to the value of our portfolio investments because most of our investments are, and may continue to be, in private companies and recorded at fair value;

- Our ability to achieve our investment objective depends on key investment personnel of the Investment Adviser. If the Investment Adviser were to lose any of its key investment personnel, our ability to achieve our investment objective could be significantly harmed;
- The Investment Adviser has limited experience managing a BDC or a RIC, which could adversely affect our business;
- We operate in a highly competitive market for investment opportunities and may not be able to compete effectively;
- Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates;
- Our business, results of operations and financial condition depend on our ability to manage future growth effectively;
- We borrow money, which could magnify the potential for gain or loss on amounts invested in us and increase the risk of investing in us;
- Changes in interest rates may affect our cost of capital and net investment income;
- Regulations governing the operations of BDCs will affect our ability to raise additional equity capital as well as our ability to issue senior securities or borrow for investment purposes, any or all of which could have a negative effect on our investment objectives and strategies;
- We may experience fluctuations in our annual and quarterly results due to the nature of our business;
- Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to your interests;
- We will be subject to corporate-level U.S. federal income tax on all of our income if we are unable to maintain tax treatment as a RIC under Subchapter M of the Code, which would have a material adverse effect on our financial performance;
- We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business;
- Recent legislation may allow us to incur additional leverage, which could increase the risk of investing in the Company;
- Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively;
- We may not be able to pay you distributions on our common stock, our distributions to you may not grow over time and a portion of our distributions to you may be a return of capital for U.S. federal income tax purposes;
- Our investments in portfolio companies may be risky, and we could lose all or part of any of our investments;
- The lack of liquidity in our investments may adversely affect our business;
- Economic recessions, downturns or government spending cuts could impair our portfolio companies and harm our operating results;
- The market price of our common stock may fluctuate significantly; and

- Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

### **Company Information**

Our administrative and executive offices are located at 787 Seventh Avenue, 48th Floor, New York, New York 10019, and our telephone number is (212) 720-0300. We maintain a website at [www.newmountainfinance.com](http://www.newmountainfinance.com). Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

### **Presentation of Historical Financial Information and Market Data**

#### ***Historical Financial Information***

Unless otherwise indicated, historical references contained in this prospectus supplement and the accompanying prospectus for periods prior to and as of December 31, 2013 in "Senior Securities" relate to NMF Holdings. The consolidated financial statements of New Mountain Finance Holdings, L.L.C., formerly known as New Mountain Guardian (Leveraged), L.L.C., and New Mountain Guardian Partners, L.P. are NMF Holdings' historical consolidated financial statements.

#### ***Market Data***

Statistical and market data used in this prospectus supplement and the accompanying prospectus has been obtained from governmental and independent industry sources and publications. We have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements contained in this prospectus supplement and accompanying prospectus. See "Cautionary Statement Regarding Forward-Looking Statements" in this prospectus supplement and the accompanying prospectus.

## OFFERING

Common Stock Offered	We are offering 6,000,000 shares of our common stock. To the extent that the underwriters sell more than 6,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 900,000 shares of our common stock at the initial public offering price, less the underwriting discounts and commissions (sales load), within 30 days of the date of this prospectus supplement.
Shares of Our Common Stock Currently Outstanding	80,610,302 shares.
Shares of Our Common Stock Outstanding After This Offering	86,610,302 shares, excluding 900,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters. This amount does not include any shares which may be issuable upon conversion of existing securities.
Use of Proceeds	<p>Our net proceeds from this offering will be approximately \$81.6 million, after deducting \$0.2 million of sales load and estimated offering expenses of approximately \$0.3 million payable by us. In addition, the Investment Adviser has agreed to bear \$2.3 million of sales load in connection with this offering, which will not be subject to reimbursement by us. If the underwriters' option to purchase additional shares is exercised in full, our net proceeds from this offering will be approximately \$93.9 million, after deducting \$0.2 million of sales load and estimated offering expenses of approximately \$0.3 million payable by us. In addition, if the underwriters' option to purchase additional shares is exercised in full, the Investment Adviser has agreed to bear \$2.7 million of sales load in connection with this offering, which will not be subject to reimbursement by us. We intend to use the net proceeds from this offering primarily for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus. We may also use a portion of the net proceeds from the sale of shares of our common stock sold in this offering for other general corporate purposes, including to temporarily repay indebtedness (which will be subject to reborrowing), and other working capital requirements. We are continuously identifying, reviewing and, to the extent consistent with our investment objective, funding new investments. As a result, we typically raise capital as we deem appropriate to fund such new investments. We expect that it will take up to three months for us to substantially invest the net proceeds of this offering, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurance that we will be able to achieve this goal. Proceeds not immediately used for new investments or the temporary repayment of debt will be invested primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of the investment.</p>

These temporary investments are expected to provide a lower net return than we hope to achieve from our target investments and, accordingly, may result in lower distributions, if any, during such period. See "Use of Proceeds" in this prospectus supplement.

New York Stock Exchange  
Symbol of Common Stock

"NMFC"

Investment Advisory Fees

We pay the Investment Adviser a fee for its services under an investment advisory and management agreement (the "Investment Management Agreement") 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 our gross assets, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of our gross assets, which equals our total assets, as determined in accordance with accounting principles generally accepted in the United States of America ("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. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee. Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the Predecessor Holdings Credit Facility and into the Holdings Credit Facility on December 18, 2014. Post credit facility merger and to be consistent with the methodology since our 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. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of our "Pre-Incentive Fee Adjusted Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature each as described in the Investment Management Agreement. The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of our "Adjusted Realized Capital Gains", if any, on a cumulative basis from inception through the end of the year, computed net of

all "Adjusted Realized Capital Losses" and "Adjusted Unrealized Capital Depreciation" on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee each as described in the Investment Management Agreement. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. See "Investment Management Agreement" in the accompanying prospectus.

Administrator

The Administrator serves as our administrator and arranges our office space and provides us with office equipment and administrative services. The Administrator performs, or oversees the performance of, our financial records, prepares reports to our stockholders and reports filed by us with the SEC, monitors the payment of our expenses, and oversees the performance of administrative and professional services rendered to us by others. We reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under an administration agreement, as amended and restated (the "Administration Agreement"). The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2019, approximately \$0.7 million of indirect administrative expenses were included in administrative expenses, of which no indirect administrative expenses were waived by the Administrator. As of March 31 2019, \$0.7 million of indirect administrative expenses were included in payable to affiliates. See "Administration Agreement" in the accompanying prospectus.

Distributions

We intend to pay quarterly distributions to our stockholders out of assets legally available for distribution. The quarterly distributions, if any, will be determined by our board of directors. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a shareholder's original investment in our common stock, for U.S. federal income tax purposes. Generally, a return of capital will reduce an investor's basis in our stock for U.S. federal income tax purposes, which will result in a higher tax liability when the stock is sold. The specific tax characteristics of our distributions will be reported to stockholders after the end of the calendar year. See "Price Range of Common Stock and Distributions" in this prospectus supplement and the accompanying prospectus.

Taxation of NMFC

We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that are timely distributed to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually to our stockholders at least 90.0% of our net ordinary income and realized net short-term capital gains in excess of realized net

	<p>long-term capital losses, if any. See "Price Range of Common Stock and Distributions" in this prospectus supplement and in the accompanying prospectus and "Material U.S. Federal Income Tax Considerations" in the accompanying prospectus.</p>
Dividend Reinvestment Plan	<p>We have adopted an "opt out" dividend reinvestment plan for our stockholders. As a result, if we declare a distribution, then your cash distributions will be automatically reinvested in additional shares of our common stock, unless you specifically "opt out" of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of stock will be subject to the same U.S. federal income tax consequences as stockholders who elect to receive their distributions in cash. We will use only newly issued shares to implement the plan if the price at which newly issued shares are to be credited is equal to or greater than 110.0% of the last determined net asset value of our shares. We reserve the right to either issue new shares or purchase shares of our common stock in the open market in connection with our implementation of the plan if the price at which newly issued shares are to be credited to stockholders' accounts does not exceed 110.0% of the last determined net asset value of the shares. See "Dividend Reinvestment Plan" in the accompanying prospectus.</p>
Trading at a Discount	<p>Shares of closed-end investment companies frequently trade at a discount to their net asset value. The possibility that our common stock may trade at a discount to our net asset value per share is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade above, at or below net asset value.</p>
License Agreement	<p>We have entered into a royalty-free license agreement with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us a non-exclusive license to use the names "New Mountain" and "New Mountain Finance". See "License Agreement" in the accompanying prospectus.</p>
Leverage	<p>We expect to continue to use leverage to make investments. As a result, we may continue to be exposed to the risks of leverage, which include that leverage may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts we invest and therefore, indirectly, increases the risks associated with investing in shares of our common stock. See "Risk Factors" in the accompanying prospectus.</p>
Anti-Takeover Provisions	<p>Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures that we may adopt. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. See "Description of Capital Stock — Delaware</p>

Available Information

Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures" in the accompanying prospectus.

We have filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act of 1933, as amended (the "Securities Act"). The registration statement contains additional information about us and the shares of common stock being offered by this prospectus supplement and the accompanying prospectus.

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information is available on the SEC's website at <http://www.sec.gov>. This information is also available free of charge by contacting us at New Mountain Finance Corporation, 787 Seventh Avenue, 48th Floor, New York, New York 10019, by telephone at (212) 720-0300, or on our website at [www.newmountainfinance.com](http://www.newmountainfinance.com). Information contained on our website or on the SEC's website about us is not incorporated into this prospectus supplement and the accompanying prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus supplement and the accompanying prospectus.

## FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly on an as-converted basis. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying prospectus contains a reference to fees or expenses paid by "you", "NMFC", or "us" or that "we", "NMFC", or the "Company" will pay fees or expenses, we will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in us. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

<b>Stockholder transaction expenses:</b>	
Sales load borne by us (as a percentage of offering price)	0.22%(1)
Offering expenses borne by us (as a percentage of offering price)	0.37%(2)
Dividend reinvestment plan fees (per sales transaction)	\$ 15.00(3)
<b>Total stockholder transaction expenses (as a percentage of offering price)</b>	<b>0.59%</b>
<b>Annual expenses (as a percentage of net assets attributable to common stock):</b>	
Base management fees	4.03%(4)
Incentive fees payable under the Investment Management Agreement	2.36%(5)
Interest payments on borrowed funds	6.50%(6)
Other expenses	0.79%(7)
Acquired fund fees and expenses	2.02%(8)
<b>Total annual expenses</b>	<b>15.70%(9)</b>
	(0.87)%
Base management fee waiver	(10)
	(9)
Total annual expenses after the base management fee waiver	14.83%(10)

- (1) Represents the sales load to be paid by us with respect to the shares of common stock to be sold by us in this offering for which the calculation is adjusted. The Investment Adviser has agreed to bear \$0.39 per share, or approximately 2.9% of the offering price, of the sales load in connection with this offering, which is not reflected in the above table and will not be subject to reimbursement by us. There is no guaranty that there will be any sales of our common stock pursuant to this prospectus supplement or the accompanying prospectus.
- (2) The offering expenses of this offering are estimated to be approximately \$0.3 million.
- (3) If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus a \$0.10 per share brokerage commission from the proceeds. The expenses of the dividend reinvestment plan are included in "other expenses." The plan administrator's fees will be paid by us. There will be no brokerage charges or other charges to stockholders who participate in the plan. For additional information, see "Dividend Reinvestment Plan" in the accompanying prospectus.
- (4) The base management fee under the Investment Management Agreement is based on an annual rate of 1.75% of our average gross assets for the two most recent quarters, which equals our total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility and (ii) cash and cash equivalents. We have not invested, and currently do not invest, in derivatives. To the extent we invest in derivatives in the future, we will use the actual value of the derivatives, as reported on our Consolidated Statements of Assets and Liabilities, for purposes of calculating our base management fee. The base management fee reflected in the table

above is based on the three months ended March 31, 2019 and is calculated without deducting any management fees waived. See "Investment Management Agreement" in the accompanying prospectus.

- (5) Assumes that annual incentive fees earned by the Investment Adviser remain consistent with the gross incentive fees earned by the Investment Adviser during the three months ended March 31, 2019 and calculated without deducting any incentive fees waived. For the three months ended March 31, 2019, no incentive fees were waived by the Investment Adviser. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived. As of March 31, 2019, we did not have a capital gains incentive fee accrual. As we cannot predict whether we will meet the thresholds for incentive fees under the Investment Management Agreement, the incentive fees paid in subsequent periods, if any, may be substantially different than the fees incurred during the three months ended March 31, 2019. For more detailed information about the incentive fee calculations, see "Investment Management Agreement" in the accompanying prospectus.
- (6) We may borrow funds from time to time to make investments to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities or if the economic situation is otherwise conducive to doing so. The costs associated with these borrowings are indirectly borne by our stockholders. As of March 31, 2019, we had \$567.1 million, \$135.0 million, \$50.0 million, \$115.0 million, \$336.8 million and \$165.0 million of indebtedness outstanding under the Holdings Credit Facility, the NMFC Credit Facility, the DB Credit Facility, the Existing 2018 Convertible Notes, the Unsecured Notes and the SBA-guaranteed debentures, respectively. For purposes of this calculation, we have assumed the March 31, 2019 amounts outstanding under the Holdings Credit Facility, NMFC Credit Facility, DB Credit Facility, Existing 2018 Convertible Notes, Unsecured Notes and SBA-guaranteed debentures, and have computed interest expense using an assumed interest rate of 4.5% for the Holdings Credit Facility, 5.0% for the NMFC Credit Facility, 5.5% for the DB Credit Facility, 5.75% for the Existing 2018 Convertible Notes, 5.2% for the Unsecured Notes and 3.3% for the SBA-guaranteed debentures, which were the rates payable as of March 31, 2019. See "Senior Securities" in this prospectus supplement. In addition, for the purpose of this calculation, we have included \$116.5 million of 2019A Unsecured Notes outstanding and \$86.3 million of additional 2018 Convertible Notes outstanding and have computed interest expense assuming an interest rate of 5.494% for the 2019A Unsecured Notes and 5.75% for the additional 2018 Convertible Notes. We also computed interest expense taking into account the repayment of \$155.3 million of our 2014 Convertible Notes which occurred on June 15, 2019.
- (7) "Other expenses" include our overhead expenses, including payments by us under the Administration Agreement based on the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement. Pursuant to the Administration Agreement, 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. This expense ratio is calculated without deducting any expenses waived or reimbursed by the Administrator. For the three months ended March 31, 2019, we reimbursed the Administrator approximately \$0.7 million for indirect administrative expenses that our Administrator did not waive, which represents approximately 0.03% of our gross assets. See "Administration Agreement" in the accompanying prospectus.

- (8) The holders of shares of our common stock indirectly bear the expenses of our investment in NMFC Senior Loan Program I, LLC ("SLP I"), NMFC Senior Loan Program II, LLC ("SLP II") and NMFC Senior Loan Program III, LLC ("SLP III"). No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. As SLP II and SLP III are structured as private joint ventures, no management fees are paid by SLP II and SLP III. Future expenses for SLP I, SLP II and SLP III may be substantially higher or lower because certain expenses may fluctuate over time.
- (9) The holders of shares of our common stock indirectly bear the cost associated with our annual expenses.
- (10) Since our IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to our existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the Predecessor Holdings Credit Facility and into the Holdings Credit Facility on December 18, 2014. Post credit facility merger and to be consistent with the methodology since our 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. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. The base management fee waiver reflected in the table above is based on the base management fees waived during the three months ended March 31, 2019. See "Investment Management Agreement" in the accompanying prospectus.

#### Example

The following example, required by the SEC, demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our borrowings and annual operating expenses would remain at the levels set forth in the table above. See Note 6 above for additional information regarding certain assumptions regarding our level of leverage.

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return without realization of any capital gains	\$ 133	\$ 364	\$ 556	\$ 903

**The example should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown.**

While the example assumes, as required by the applicable rules of the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Management Agreement, which, assuming a 5.0% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the above example. The above illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. For example, if we assumed that we received our 5.0% annual return completely in the form of net realized capital gains on our investments, computed net of all cumulative unrealized depreciation on

our investments, the projected dollar amount of total cumulative expenses set forth in the above illustration would be as follows:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return completely in the form of net realized capital gains	\$ 142	\$ 385	\$ 582	\$ 928

The example assumes a sales load borne by us of 0.3%. In addition, while the examples assume reinvestment of all distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date. The market price per share of our common stock may be at, above or below net asset value. See "Dividend Reinvestment Plan" in the accompanying prospectus for additional information regarding the dividend reinvestment plan.

**SELECTED FINANCIAL AND OTHER DATA**

The selected financial data should be read in conjunction with the respective consolidated financial statements and related consolidated notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus supplement and the accompanying prospectus. Financial information for the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 has been derived from the Predecessor Operating Company and our financial statements and the related notes thereto that were audited by Deloitte & Touche LLP, an independent registered public accounting firm. The financial information at and for the three months ended March 31, 2019 was derived from our unaudited consolidated financial statements and related consolidated notes. 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 periods, have been included. Our results for the interim periods may not be indicative of our results for any future interim period or the full year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities" in this prospectus supplement and the accompanying prospectus for more information.

The below selected financial and other data is for NMFC.

*(in thousands except shares, per share data and number of portfolio companies)*

	Three Months Ended March 31, 2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
<b>New Mountain Finance Corporation</b>						
<b>Statement of Operations Data:</b>						
Investment income	\$ 64,191	\$ 231,465	\$ 197,806	\$ 168,084	\$ 153,855	\$ 91,923
Investment income allocated from NMF Holdings	—	—	—	—	—	43,678
Net expenses	36,741	125,433	95,602	79,976	71,360	34,727
Net expenses allocated from NMF Holdings	—	—	—	—	—	20,808
Net investment income	27,450	106,032	102,204	88,108	82,495	80,066
Net realized gains (losses) on investments	46	(9,657)	(39,734)	(16,717)	(12,789)	357
Net realized and unrealized gains allocated from NMF Holdings	—	—	—	—	—	9,508
Net change in unrealized appreciation (depreciation) of investments	16,314	(22,206)	50,794	40,131	(35,272)	(43,863)
Net change in unrealized (depreciation) of securities purchased under collateralized agreements to resell	—	(1,704)	(4,006)	(486)	(296)	—
Benefit (provision) for taxes	110	(112)	140	642	(1,183)	(493)
Net increase in net assets resulting from operations	43,920	72,353	109,398	111,678	32,955	45,575
<b>Per share data:</b>						
Net asset value	\$ 13.45	\$ 13.22	\$ 13.63	\$ 13.46	\$ 13.08	\$ 13.83
Net increase in net assets resulting from operations (basic)	0.56	0.95	1.47	1.72	0.55	0.88
Net increase in net assets resulting from operations (diluted)(1)	0.49	0.91	1.38	1.60	0.55	0.86
Distributions declared(2)	0.34	1.36	1.36	1.36	1.36	1.48

New Mountain Finance Corporation	Three Months Ended March 31,	Year Ended December 31,				
	2019	2018	2017	2016	2015	2014
<b>Balance sheet data:</b>						
Total assets(3)	\$ 2,650,116	\$ 2,448,666	\$ 1,928,018	\$ 1,656,018	\$ 1,588,146	\$ 1,500,868
Holdings Credit Facility	567,063	512,563	312,363	333,513	419,313	468,108
Unsecured Notes	336,750	336,750	145,000	90,000	—	—
Existing Convertible Notes	270,273	270,301	155,412	155,523	115,000	115,000
SBA-guaranteed debentures	165,000	165,000	150,000	121,745	117,745	37,500
NMFC Credit Facility	135,000	60,000	122,500	10,000	90,000	50,000
DB Credit Facility	50,000	57,000	—	—	—	—
Total net assets	1,083,279	1,006,269	1,034,975	938,562	836,908	802,170
<b>Other data:</b>						
Total return based on market value (4)	10.57%	2.70%	5.54%	19.68%	(4.00)%	9.66%
Total return based on net asset value(5)	4.34%	7.16%	11.77%	13.98%	4.32%	6.56%
Number of portfolio companies at period end	97	92	84	78	75	71
Total new investments for the period(6)	\$ 158,328	\$ 1,321,559	\$ 999,677	\$ 558,068	\$ 612,737	\$ 720,871
Investment sales and repayments for the period(6)	\$ 5,857	\$ 802,964	\$ 767,360	\$ 547,078	\$ 483,936	\$ 384,568
Weighted average YTM at Cost on debt portfolio at period end (unaudited)(7)	10.0%	10.4%	10.9%	11.1%	10.7%	10.7%
Weighted average YTM at Cost for Investments at period end (unaudited)(7)	10.0%	10.4%	10.9%	10.5%	10.7%	10.6%
Weighted average shares outstanding for the period (basic)	78,457,641	76,022,375	74,171,268	64,918,191	59,715,290	51,846,164
Weighted average shares outstanding for the period (diluted)	95,857,530	88,627,741	83,995,395	72,863,387	66,968,089	56,157,835
Portfolio turnover(6)	0.23%	36.75%	41.98%	36.07%	33.93%	29.51%

- (1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2015, there was anti-dilution. For the three months ended March 31, 2019 and the years ended December 31, 2018, December 31, 2017, December 31, 2016 and December 31, 2014, there was no anti-dilution.
- (2) Distributions declared in the year ended December 31, 2014 include a \$0.12 per share special dividend related to realized capital gains attributable to NMF Holdings' warrant investments in Learning Care Group (US), Inc.
- (3) On January 1, 2016, we adopted Accounting Standard Update No. 2015-03, *Interest — Imputation of Interest Subtopic 835-30 — Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). Upon adoption, we revised our presentation of deferred financing costs from an asset to a liability, which is a direct deduction to our debt on the Consolidated Statements of Assets and Liabilities. In addition, as of December 31, 2015 and December 31, 2014, we retrospectively revised our presentation of \$14.0 million and \$14.1 million, respectively, of deferred financing costs that were previously presented as an asset, which resulted in a decrease to total assets and total liabilities as of December 31, 2015 and December 31, 2014.
- (4) Total return is calculated assuming a purchase of common stock at the opening of the first day of the period and a sale on the closing of the last business day of the respective period ends. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under our dividend reinvestment plan.
- (5) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the period and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (6) For the year ended December 31, 2014, amounts include our investment activity and the investment activity of the Predecessor Operating Company.



- (7) The weighted average YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at the adjusted cost on the respective period ends 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 at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments use 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. Adjusted cost reflects the cost for post-IPO investments in accordance with accounting principles generally accepted in the United States of America ("GAAP") and a stepped up cost basis of pre-IPO investments (assuming a step-up to fair market value occurred on the IPO date).

**SELECTED QUARTERLY FINANCIAL DATA**

The selected quarterly financial data should be read in conjunction with our respective consolidated financial statements and related consolidated notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus supplement and the accompanying prospectus. The following table sets forth certain quarterly financial data for the quarter ended March 31, 2019 and each of the quarters for the fiscal years ended December 31, 2018 and December 31, 2017. This data is derived from our unaudited financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Senior Securities" included in this prospectus supplement and the accompanying prospectus for more information.

The below selected quarterly financial data is for NMFC.

*(in thousands except for per share data)*

Quarter Ended	Total Investment Income		Net Investment Income		Total Net Realized Gains (Losses) and Net Changes in Unrealized Appreciation (Depreciation) of Investments(1)		Net Increase (Decrease) in Net Assets Resulting from Operations	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
March 31, 2019	\$ 64,191	\$ 0.82	\$ 27,450	\$ 0.35	\$ 16,470	\$ 0.21	\$ 43,920	\$ 0.56
December 31, 2018	\$ 63,509	\$ 0.83	\$ 27,458	\$ 0.36	\$ (28,842)	\$ (0.38)	\$ (1,384)	\$ (0.02)
September 30, 2018	60,469	0.79	27,117	0.35	(357)	—	26,760	0.35
June 30, 2018	54,598	0.72	25,721	0.34	(2,588)	(0.03)	23,133	0.31
March 31, 2018	52,889	0.70	25,736	0.34	(1,892)	(0.03)	23,844	0.31
December 31, 2017	\$ 53,244	\$ 0.70	\$ 26,683	\$ 0.35	\$ 194	\$ —	\$ 26,877	\$ 0.35
September 30, 2017	51,236	0.68	26,292	0.35	(1,516)	(0.02)	24,776	0.33
June 30, 2017	50,019	0.66	25,798	0.34	1,530	0.02	27,328	0.36
March 31, 2017	43,307	0.62	23,431	0.34	6,986	0.10	30,417	0.44

(1) Includes securities purchased under collateral agreements to resell, benefit (provision) for taxes and the accretive effect of common stock issuances per share, if applicable.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or variations of these words and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus involve risks and uncertainties, including statements as to:

- the preliminary estimates of our net asset value and adjusted net investment income;
- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn could impair our portfolio companies' ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- interest rate volatility could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;
- currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and
- the risks, uncertainties and other factors we identify in the accompanying prospectus, and elsewhere in this prospectus supplement, the accompanying prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement or the accompanying prospectus should not be

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regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in the accompanying prospectus, and elsewhere in this prospectus supplement and the accompanying prospectus. You should not place undue reliance on these forward-looking statements, which are based on information available to us as of the date of this prospectus supplement, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements.

## CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2019:

- on an actual basis;
- on an adjusted basis to give effect to the issuance of \$116.5 million in aggregate principal amount of 2019A Unsecured Notes issued on April 30, 2019 to certain institutional investors in a private placement, the issuance of \$86.25 million aggregate principal amount of Additional 2018 Convertible Notes issued on June 7, 2019 in a public offering and the repayment of \$155.3 million aggregate principal amount of 2014 Convertible Notes on June 15, 2019; and
- on an as further adjusted basis to give effect to the assumed sale of 6,000,000 shares of our common stock by us in this offering at a public offering price of \$13.68 per share, after deducting the estimated sales load (underwriting discounts and commissions) of approximately \$0.2 million and estimated offering expenses of approximately \$0.3 million payable by us.

You should read this table together with "Use of Proceeds" and the financial statements and related notes thereto included elsewhere in this prospectus supplement and the accompanying prospectus.

<u>(in thousands)</u>	<u>Actual (unaudited)</u>	<u>As Adjusted (unaudited)</u>	<u>As Further Adjusted (unaudited)</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 65,571	\$ 65,571	\$ 147,166
Investments at fair value	2,522,305	2,522,305	2,522,305
Other assets	62,240	62,240	62,240
<b>Total assets</b>	<b><u>\$ 2,650,116</u></b>	<b><u>\$ 2,650,116</u></b>	<b><u>\$ 2,731,711</u></b>
<b>Liabilities:</b>			
Net outstanding borrowings	\$ 1,507,900	\$ 1,305,150	\$ 1,305,150
2019A Unsecured Notes	—	116,500	116,500
Additional 2018 Convertible Notes	—	86,250	86,250
Other liabilities	58,937	58,937	58,937
<b>Total liabilities</b>	<b><u>\$ 1,566,837</u></b>	<b><u>\$ 1,566,837</u></b>	<b><u>\$ 1,566,837</u></b>
<b>Net assets</b>	<b><u>\$ 1,083,279</u></b>	<b><u>\$ 1,083,279</u></b>	<b><u>\$ 1,164,874</u></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, 100,000,000 shares and 200,000,000 shares authorized, respectively, and, 80,519,430 shares, 80,519,430 shares and 86,519,430 shares issued and outstanding, respectively	805	805	865
Paid in capital in excess of par	1,096,017	1,096,017	1,177,552
Accumulated overdistributed earnings	(13,543)	(13,543)	(13,543)
<b>Total net assets</b>	<b>1,083,279</b>	<b>1,083,279</b>	<b>1,164,874</b>

## USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of the 6,000,000 shares of our common stock in this offering of approximately \$81.6 million, after deducting underwriting discounts and commissions of approximately \$0.2 million and estimated offering expenses of approximately \$0.3 million payable by us. In addition, the Investment Adviser has agreed to bear \$2.3 million of sales load in connection with this offering, which will not be subject to reimbursement by us. If the underwriters' option to purchase additional shares is exercised in full, our net proceeds from this offering will be approximately \$93.9 million, after deducting underwriting discounts and commissions of approximately \$0.2 million and estimated offering expenses of approximately \$0.3 million payable by us. In addition, if the underwriters' option to purchase additional shares is exercised in full, the Investment Adviser has agreed to bear \$2.7 million of sales load in connection with this offering, which will not be subject to reimbursement by us.

We intend to use the net proceeds from this offering primarily for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus supplement and the accompanying prospectus. We may also use a portion of the net proceeds from the sale of shares of our common stock sold in this offering for other general corporate purposes, including to temporarily repay indebtedness (which will be subject to reborrowing), and other working capital requirements. We are continuously identifying, reviewing and, to the extent consistent with our investment objective, funding new investments. As a result, we typically raise capital as we deem appropriate to fund such new investments.

We expect that it will take up to three months for us to substantially invest the net proceeds from this offering, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurance that we will be able to achieve this goal.

Proceeds not immediately used for new investments or the temporary repayment of debt will be invested primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of investment. These temporary investments are expected to provide a lower net return than we hope to achieve from our target investments and, accordingly, may result in lower distributions, if any, during such period.

**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "NMFC". The following table sets forth, for each fiscal quarter during the last two fiscal years and the current fiscal year to date, the net asset value ("NAV") per share of our common stock, the high and low closing sale price for our common stock, the closing sale price as a percentage of NAV and the quarterly distributions per share.

<b>Fiscal Year Ended</b>	<b>NAV Per Share (2)</b>	<b>Closing Sales Price(3)</b>		<b>Premium or Discount of High Closing Sales to NAV(4)</b>	<b>Premium or Discount of Low Closing Sales to NAV(4)</b>	<b>Declared Dividends Per Share(5)(6)</b>
		<b>High</b>	<b>Low</b>			
<b>December 31, 2019</b>						
Third Quarter(1)	*	\$ 14.07	\$ 13.91	*	*	*
Second Quarter	*	\$ 14.35	\$ 13.49	*	*	\$ 0.34
First Quarter	\$ 13.45	\$ 14.16	\$ 12.78	5.28%	(4.98)%	\$ 0.34
<b>December 31, 2018</b>						
Fourth Quarter	\$ 13.22	\$ 13.83	\$ 12.25	4.61%	(7.34)%	\$ 0.34
Third Quarter	\$ 13.58	\$ 14.25	\$ 13.50	4.93%	(0.59)%	\$ 0.34
Second Quarter	\$ 13.57	\$ 13.95	\$ 13.25	2.80%	(2.36)%	\$ 0.34
First Quarter	\$ 13.60	\$ 13.75	\$ 12.55	1.10%	(7.72)%	\$ 0.34
<b>December 31, 2017</b>						
Fourth Quarter	\$ 13.63	\$ 14.50	\$ 13.55	6.38%	(0.59)%	\$ 0.34
Third Quarter	\$ 13.61	\$ 14.70	\$ 13.55	8.01%	(0.44)%	\$ 0.34
Second Quarter	\$ 13.63	\$ 14.95	\$ 14.35	9.68%	5.28%	\$ 0.34
First Quarter	\$ 13.56	\$ 14.90	\$ 14.00	9.88%	3.24%	\$ 0.34

(1) Period from July 1, 2019 through July 5, 2019.

(2) NAV is determined as of the last date in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(3) Closing sales price is determined as the high or low closing sales price noted within the respective quarter, not adjusted for distributions.

(4) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

(5) Represents the distributions declared or paid for the specified quarter.

(6) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year.

\* Not determinable at the time of filing.

On July 5, 2019, the last reported sales price of our common stock was \$14.02 per share. As of July 5, 2019, we had approximately fourteen stockholders of record and approximately two beneficial owners whose shares are held in the names of brokers, dealers, funds, trusts and clearing agencies.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from NAV or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV will decrease. Since our initial public offering on May 19, 2011, our shares of common stock have traded at times at both a discount and a premium to the net assets attributable to those shares. As of July 5, 2019, our shares of common stock traded at a premium of approximately 4.2% of the NAV

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attributable to those shares as of March 31, 2019. It is not possible to predict whether the shares offered hereby will trade at, above, or below NAV.

We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a RIC. We intend to distribute approximately our entire 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. The distributions we pay to our stockholders in a year may exceed our taxable income for that year and, accordingly, a portion of such distributions may constitute a return of capital, which is a return of a portion of a stockholder's original investment in our common stock, for U.S. federal tax purposes. Generally, a return of capital will reduce an investor's basis in our stock for U.S. federal income tax purposes, which will result in a higher tax liability when the stock is sold. The specific tax characteristics of our distributions will be reported to stockholders after the end of the calendar year.

We maintain an "opt out" dividend reinvestment plan on behalf of our stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless the stockholder elects to receive cash.

We apply 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 NAV of the shares, we will use only newly issued shares to implement the 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 our common stock on the 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 NAV of the shares, we 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 our 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 our stockholders have been tabulated.

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The following table reflects the 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>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Per Share Amount</b>
May 1, 2019	June 14, 2019	June 28, 2019	\$ 0.34
February 22, 2019	March 15, 2019	March 29, 2019	0.34
			<u>\$ 0.68</u>
November 1, 2018	December 14, 2018	December 28, 2018	\$ 0.34
August 1, 2018	September 14, 2018	September 28, 2018	0.34
May 2, 2018	June 15, 2018	June 29, 2018	0.34
February 21, 2018	March 15, 2018	March 29, 2018	0.34
			<u>\$ 1.36</u>
November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
August 4, 2017	September 15, 2017	September 29, 2017	0.34
May 4, 2017	June 16, 2017	June 30, 2017	0.34
February 23, 2017	March 17, 2017	March 31, 2017	0.34
			<u>\$ 1.36</u>

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, 2018 and December 31, 2017, total distributions were \$103.4 million and \$100.9 million, respectively, of which the distributions were comprised of approximately 83.74% and 71.50%, respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 16.26% and 28.50%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our Financial Statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus. The following discussion and other parts of this prospectus supplement and the accompanying prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Cautionary Statement Regarding Forward-Looking Statements" appearing elsewhere in this prospectus supplement and the accompanying prospectus.*

### Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our IPO on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. NMFC is also registered as an investment adviser under the Advisers Act. Since our IPO, and through March 31, 2019, we raised approximately \$673.9 million in net proceeds from additional offerings of our 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. The Investment Adviser also manages Guardian II, which commenced operations in April 2017. The Administrator, a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

We have established the following wholly-owned direct and indirect subsidiaries:

- NMF Holdings and NMFDB, whose assets are used to secure NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- SBIC I and SBIC II, who have received licenses from the U.S. Small Business Administration SBA to operate as SBICs under Section 301(c) of the 1958 Act and their general partners, SBIC I GP and SBIC II GP, respectively;
- NMNLC, which acquires commercial real properties that are subject to "triple net" leases and which has elected to be treated, and intends to continue to qualify annually, as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code;
- NMF Ancora, NMF QID and NMF YP, which serve as tax blocker corporations by holding 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 but 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; and
- NMF Servicing, which serves as the administrative agent on certain investment transactions.

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

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the risks associated with second lien and subordinated loans to the extent we invest in the "last out" tranche. In some cases, our investments may also include equity interests.

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I's and SBIC II's investment objectives are to generate current income and capital appreciation under our investment criteria. However, SBIC I's and SBIC II's investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2019, our top five industry concentrations were business services, software, healthcare services, education and investment funds (which includes our investments in our joint ventures).

As of March 31, 2019, our net asset value was \$1,083.3 million and our portfolio had a fair value of approximately \$2,522.3 million in 97 portfolio companies, with a YTM at Cost of approximately 10.0% and a YTM at Cost for Investments of approximately 10.0%. 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 at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investments calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments use the 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 1, 2019, after receiving the required stockholder approval, we amended our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 100,000,000 shares to 200,000,000 shares.

On April 30, 2019, we entered into a Supplement to our NPA. Pursuant to the Supplement, on April 30, 2019, we issued to certain institutional investors identified therein, in a private placement, \$116.5 million in aggregate principal amount of 2019A Unsecured Notes as an additional series of notes under the NPA. Except as set forth in the Supplement, the 2019A Unsecured Notes have the same terms as the \$90.0 million in aggregate principal amount of the 5.313% Notes due May 15, 2021, the \$55.0 million in aggregate principal amount of the 4.760% Series 2017A Notes due July 15, 2022, the \$90.0 million in aggregate 4.870% Series 2018A Notes due January 30, 2023 and the \$50.0 million in aggregate principal amount of the 5.360% Series 2018B Notes due June 28, 2023 that we previously issued pursuant to the NPA and the first, second and third supplement thereto, respectively. The 2019A Unsecured Notes will rank equal in priority with our other unsecured indebtedness, including the Prior Notes. Interest on the 2019A Unsecured Notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2019.

On May 1, 2019, our board of directors declared a second quarter 2019 distribution of \$0.34 per share which was paid on June 28, 2019 to holders of record as of June 14, 2019.

On May 7, 2019, we entered into the Third Amendment, which amended the Holdings Credit Facility, by and among us, as the collateral manager, NMF Holdings, as the borrower, Wells Fargo Bank, as the administrative agent, the Lenders, and Wells Fargo Bank, as collateral custodian. The Third Amendment increased the maximum amount of the Holdings Credit Facility from \$695.0 million to \$800.0 million. Fifth Third Bank was joined to the Holdings Credit Facility through a Joinder Supplement, dated May 7, 2019, and certain existing Lenders increased their commitments such that, as of the date of the Third Amendment, the aggregate commitments of the Lenders equals \$720.0 million. The

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Holdings Credit Facility continues to have a revolving period ending on October 24, 2020, and will still mature on October 24, 2022.

On June 7, 2019, we closed a public offering of an additional \$86.25 million in aggregate principal amount of 2018 Convertible Notes, which includes \$11.25 million in aggregate principal amount of the 2018 Convertible Notes that were issued pursuant to the full exercise of the option granted to the underwriters to purchase additional 2018 Convertible Notes. The 2018 Convertible Notes were priced at 100.5% of par value, plus accrued interest from February 15, 2019. The total net proceeds from the offering, exclusive of accrued interest from February 15, 2019 and offering expenses, was \$86.25 million. The additional 2018 Convertible Notes issued constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115.0 million in aggregate principal amount of the 2018 Convertible Notes issued in August 2018.

On June 15, 2019 the outstanding 2014 Convertible Notes of \$155.3 million matured and we repaid the principal and interest in cash.

Due to the untimely death of Kurt J. Wolfgruber on June 17, 2019, as of the date of this prospectus supplement, our Board of Directors does not consist of a majority of non-interested persons, as such term is defined in Section 2(a)(19) of 1940 Act. However, in accordance with Section 56 (b) of the 1940 Act, the requirement to have a majority of non-interested persons on our Board of Directors is suspended for 90 days. We are actively searching for a new non-interested person to add to our Board of Directors and expect to have a Board of Directors that consists of a majority of non-interested persons within the time period prescribed by the 1940 Act. Moreover, Rome G. Arnold replaced Mr. Wolfgruber as the Chairman of our Audit Committee.

On June 28, 2019, we entered into the Second Amendment, which amended the DB Credit Facility, by and among us, as the equityholder and the servicer, NMFDB, as the borrower, DBNY, as the facility agent, U.S. Bank National Association, as the collateral agent and collateral custodian, and DBNY as agent and lender, and each of the other lenders and agents parties from time to time party thereto. The Second Amendment, among other things, increased the maximum facility amount and the commitment of DBNY under the DB Credit Facility from \$100.0 million to \$150.0 million and lowered the applicable margin for calculating interest from 2.85% per annum to 2.60% per annum. The DB Credit Facility continues to have a revolving period ending on December 14, 2021, and will still mature on December 14, 2023.

We had approximately \$183.3 million of originations and commitments since the end of the first quarter through June 30, 2019. This was offset by approximately \$68.3 million of repayments during the same period.

### **Preliminary Estimates of Net Asset Value and Net Investment Income**

Set forth below is a preliminary estimate of our net asset value per share as of June 30, 2019 and a preliminary estimate of our net investment income per share range for the three months ended June 30, 2019. The following estimates are not a comprehensive statement of our financial condition or results for the period ended June 30, 2019. We advise you that our actual results for the three months ended June 30, 2019 may differ materially from these estimates, which are given only as of the date of this prospectus supplement, as a result of the completion of our financial closing procedures, final adjustments and other developments, including changes in interest rates, changes in the businesses to whom we have made loans or market and industry fluctuations, which may arise between now and the time that our financial results for the three months ended June 30, 2019 are finalized. This information is inherently uncertain.

As of the date of this prospectus supplement, we estimate that our net asset value per share as of June 30, 2019 was approximately \$13.40 to \$13.50.

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As of the date of this prospectus supplement, we currently expect that our net investment income per share was between \$0.34 and \$0.35 for the three months ended June 30, 2019.

The preliminary financial estimates provided herein have been prepared by, and are the responsibility of, management. Neither Deloitte & Touche LLP, our independent registered public accounting firm, nor any other independent accountants have audited, reviewed, compiled, or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, Deloitte & Touche LLP does not express an opinion or any form of assurance with respect thereto and assumes no responsibility for, and disclaims any association with, this information.

### **Critical Accounting Policies**

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

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

We consolidate our wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, NMFDB, 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

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- b. For investments other than bonds, we look at the number of quotes readily available and perform the following procedures:
  - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
  - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).
- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
  - a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
  - b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
  - c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
  - d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

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

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

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

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

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

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of March 31, 2019:

<b>(in thousands)</b>	<b>Total</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
First lien	\$ 1,276,616	\$ —	\$ 168,900	\$ 1,107,716
Second lien	725,162	—	408,652	316,510
Subordinated	66,858	—	25,967	40,891
Equity and other	453,669	1	—	453,668
<b>Total investments</b>	<b>\$ 2,522,305</b>	<b>\$ 1</b>	<b>\$ 603,519</b>	<b>\$ 1,918,785</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.

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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, 2019, 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, 2019, 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, 2019 were as follows:

(in thousands)	Fair Value as of March 31, 2019	Approach	Unobservable Input	Range		Weighted Average	
				Low	High		
First lien	\$ 902,428	Market & income approach	EBITDA multiple	2.0x	30.0x	12.0x	
			Revenue multiple	3.5x	11.0x	6.9x	
			Discount rate	7.4%	15.3%	9.5%	
			Broker quote	N/A	N/A	N/A	
	195,513	Market quote	Broker quote	N/A	N/A	N/A	
	9,775	Other	N/A(1)	N/A	N/A	N/A	
Second lien	110,205	Market & income approach	EBITDA multiple	8.5x	15.0x	11.1x	
			Discount rate	10.0%	20.0%	12.8%	
			Broker quote	N/A	N/A	N/A	
			Other	N/A(1)	N/A	N/A	
	186,238	Market quote	Broker quote	N/A	N/A	N/A	
	20,067	Other	N/A(1)	N/A	N/A	N/A	
Subordinated	40,891	Market & income approach	EBITDA multiple	4.8x	12.5x	10.1x	
			Discount rate	11.0%	21.4%	16.8%	
Equity and other	452,856	Market & income approach	EBITDA multiple	0.4x	18.0x	10.7x	
			Discount rate	6.5%	26.2%	13.6%	
			Black Scholes analysis	Expected life in years	7.0	7.0	7.0
			Volatility	37.5%	37.5%	37.5%	
	812	Black Scholes analysis	Expected life in years	7.0	7.0	7.0	
			Volatility	37.5%	37.5%	37.5%	
			Discount rate	2.6%	2.6%	2.6%	
	<u>\$ 1,918,785</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**

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

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of March 31, 2019, SLP I had total investments with an aggregate fair value of approximately \$337.4 million, debt outstanding of \$246.7 million and capital that had been called and funded of \$93.0 million. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$327.2 million, debt outstanding of \$242.6 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, 2019 and December 31, 2018.

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

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months ended March 31, 2019 and March 31, 2018, 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, 2019 and December 31, 2018, 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, 2019 and March 31, 2018, we earned approximately \$0.7 million and \$0.8 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2019 and December 31, 2018, approximately \$0.8 million and \$0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

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

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's investment period is currently until April 12, 2020 and SLP II will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of March 31, 2019, 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, 2019 and December 31, 2018.

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 1.60% per annum. As of March 31, 2019 and December 31, 2018, SLP II had total investments with an aggregate fair value of approximately \$366.8 million and \$336.9 million, respectively, and debt outstanding under its credit facility of \$267.9 million and \$243.2 million, respectively. As of March 31, 2019 and December 31, 2018, none of SLP II's investments were on non-accrual. Additionally, as of March 31, 2019 and December 31, 2018, SLP II had unfunded commitments in the form of delayed draws of \$4.4 million and \$5.9 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, 2019 and December 31, 2018:

<b>(in thousands)</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
First lien investments(1)	375,703	348,577
Weighted average interest rate on first lien investments(2)	6.81%	6.84%
Number of portfolio companies in SLP II	34	31
Largest portfolio company investment(1)	17,106	17,150
Total of five largest portfolio company investments(1)	80,566	80,766

(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, 2019:

<b>Portfolio Company and Type of Investment</b>	<b>Industry</b>	<b>Interest Rate(1)</b>	<b>Maturity Date</b>	<b>Principal Amount or Par Value (in thousands)</b>	<b>Cost (in thousands)</b>	<b>Fair Value(2) (in thousands)</b>
<b>Funded Investments — First lien:</b>						
Access CIG, LLC	Business Services	6.24% (L + 3.75%)	2/27/2025	\$ 9,908	\$ 9,864	\$ 9,834
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,819	16,703	16,566
Brave Parent Holdings, Inc.	Software	6.50% (L + 4.00%)	4/18/2025	15,384	15,332	15,223
CentralSquare Technologies, LLC	Software	6.25% (L + 3.75%)	8/29/2025	14,963	14,928	14,766
CHA Holdings, Inc.	Business Services	7.10% (L + 4.50%)	4/10/2025	10,778	10,735	10,765
CommerceHub, Inc.	Software	6.25% (L + 3.75%)	5/21/2025	2,481	2,470	2,447
Drilling Info Holdings, Inc.	Business Services	6.75% (L + 4.25%)	7/30/2025	14,812	14,751	14,756
Edgewood Partners Holdings LLC	Business Services	6.75% (L + 4.25%)	9/6/2024	6,397	6,334	6,381
Fastlane Parent Company, Inc.	Distribution & Logistics	7.10% (L + 4.50%)	2/4/2026	3,500	3,431	3,474
GOBP Holdings, Inc.	Retail	6.35% (L + 3.75%)	10/22/2025	2,494	2,488	2,480
Greenway Health, LLC	Software	6.35% (L + 3.75%)	2/16/2024	14,738	14,683	13,669
Idera, Inc.	Software	7.00% (L + 4.50%)	6/28/2024	12,460	12,361	12,470
Institutional Shareholder Services Inc.	Business Services	7.10% (L + 4.50%)	3/5/2026	14,000	13,861	13,930
J.D. Power (fka J.D. Power and Associates)	Business Services	6.25% (L + 3.75%)	9/7/2023	14,924	14,884	14,700
Keystone Acquisition Corp.	Healthcare Services	7.85% (L + 5.25%)	5/1/2024	5,319	5,277	5,213
LSCS Holdings, Inc.	Healthcare Services	6.75% (L + 4.25%)	3/17/2025	7,316	7,308	7,298
LSCS Holdings, Inc.	Healthcare Services	6.82% (L + 4.25%)	3/17/2025	1,889	1,886	1,884
Market Track, LLC	Business Services	6.83% (L + 4.25%)	6/5/2024	11,790	11,744	11,201
Medical Solutions Holdings, Inc.	Healthcare Services	6.25% (L + 3.75%)	6/14/2024	4,420	4,403	4,420
Ministry Brands, LLC	Software	6.50% (L + 4.00%)	12/2/2022	12,254	12,210	12,254
Ministry Brands, LLC	Software	6.50% (L + 4.00%)	12/2/2022	2,111	2,104	2,111
Ministry Brands, LLC	Software	6.50% (L + 4.00%)	12/2/2022	886	882	886
National Mentor Holdings, Inc. (aka Civitas Solutions, Inc.)	Healthcare Services	6.75% (L + 4.25%)	3/9/2026	14,123	13,982	14,121
National Mentor Holdings, Inc. (aka Civitas Solutions, Inc.)	Healthcare Services	6.75% (L + 4.25%)	3/9/2026	877	868	877
NorthStar Financial Services Group, LLC	Software	6.08% (L + 3.50%)	5/25/2025	5,885	5,859	5,797
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.75% (L + 5.25%)	4/29/2024	10,315	10,276	9,955
Poseidon Intermediate, LLC	Software	6.75% (L + 4.25%)	8/15/2022	14,691	14,689	14,674
Premise Health Holding Corp.	Healthcare Services	6.35% (L + 3.75%)	7/10/2025	1,383	1,376	1,372
Project Accelerate Parent, LLC	Business Services	6.74% (L + 4.25%)	1/2/2025	14,851	14,786	14,888
PSC Industrial Holdings Corp.	Industrial Services	6.23% (L + 3.75%)	10/11/2024	10,368	10,284	10,247
Quartz Holding Company	Software	6.49% (L + 4.00%)	4/2/2026	4,000	3,980	4,005
Quest Software US Holdings Inc.	Software	6.99% (L + 4.25%)	5/16/2025	14,963	14,895	14,799
Salient CRGT Inc.	Federal Services	8.25% (L + 5.75%)	2/28/2022	13,415	13,331	13,247
Spring Education Group (fka SSH Group Holdings, Inc.)	Education	6.75% (L + 4.25%)	7/30/2025	8,955	8,934	8,893
Wirepath LLC	Distribution & Logistics	6.63% (L + 4.00%)	8/5/2024	14,925	14,925	14,701
WP CityMD Bidco LLC	Healthcare Services	6.10% (L + 3.50%)	6/7/2024	10,795	10,774	10,471
YI, LLC	Healthcare Services	6.60% (L + 4.00%)	11/7/2024	15,026	15,015	14,932

Zywave, Inc.		7.50%					
	Software	(L + 5.00%)	11/17/2022	17,106	17,051	17,106	
<b>Total Funded Investments</b>				<b>\$ 371,321</b>	<b>\$ 369,664</b>	<b>\$ 366,813</b>	
<b>Unfunded Investments — First lien:</b>							
CHA Holdings, Inc.	Business Services	—	10/10/2019	\$ 2,143	\$ (11)	\$ (3)	
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	62	—	—	
Edgewood Partners Holdings LLC	Business Services	—	7/31/2019	1,087	(11)	(3)	
Ministry Brands, LLC	Software	—	10/18/2019	980	(5)	—	
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	(1)	
<b>Total Unfunded Investments</b>				<b>\$ 4,382</b>	<b>\$ (27)</b>	<b>\$ (7)</b>	
<b>Total Investments</b>				<b>\$ 375,703</b>	<b>\$ 369,637</b>	<b>\$ 366,806</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). For each investment, the current interest rate provided reflects the rate in effect as of March 31, 2019.
- (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, 2018:

<u>Portfolio Company and Type of Investment</u>	<u>Industry</u>	<u>Interest Rate(1)</u>	<u>Maturity Date</u>	<u>Principal Amount or Par Value</u> (in thousands)	<u>Cost</u> (in thousands)	<u>Fair Value(2)</u> (in thousands)
<b>Funded Investments — First lien</b>						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 8,825	\$ 8,785	\$ 8,605
ADG, LLC	Healthcare Services	7.63% (L + 4.75%)	9/28/2023	16,862	16,740	16,609
Beaver-Visitec International Holdings, Inc.	Healthcare Products	6.62% (L + 4.00%)	8/21/2023	14,664	14,492	14,517
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	15,422	15,369	14,902
CentralSquare Technologies, LLC	Software Business	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software Business	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Services	6.77% (L + 4.25%)	7/30/2025	12,242	12,190	12,196
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,775	14,718	14,406
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	2,500	2,494	2,438
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	12,492	12,388	12,242
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	14,962	14,920	14,588
Keystone Acquisition Corp.	Healthcare Services	8.05% (L + 5.25%)	5/1/2024	5,332	5,289	5,226
LSCS Holdings, Inc.	Healthcare Services	6.86% (L + 4.25%)	3/17/2025	5,321	5,312	5,294
LSCS Holdings, Inc.	Healthcare Services	6.89% (L + 4.25%)	3/17/2025	1,374	1,371	1,367
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	11,820	11,772	11,347
Medical Solutions Holdings, Inc.	Healthcare Services	6.27% (L + 3.75%)	6/14/2024	4,432	4,413	4,343
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	2,116	2,109	2,116
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	12,285	12,238	12,285
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	7,463	7,428	7,313
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	10,342	10,301	10,084
Poseidon Intermediate, LLC	Software Healthcare	6.78% (L + 4.25%)	8/15/2022	14,729	14,727	14,644
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	1,386	1,380	1,369
Project Accelerate Parent, LLC	Business Services	6.64% (L + 4.25%)	1/2/2025	14,887	14,821	14,663
PSC Industrial Holdings Corp.	Industrial Services	6.21% (L + 3.75%)	10/11/2024	10,395	10,307	10,161
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Salient CRGT Inc.	Federal Services	8.27% (L + 5.75%)	2/28/2022	13,509	13,418	13,306
Sierra Acquisition, Inc.	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	3,713	3,696	3,685
SSH Group Holdings, Inc.	Education	6.77% (L + 4.25%)	7/30/2025	8,978	8,956	8,753
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	14,963	14,963	14,738
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	10,823	10,801	10,620
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	15,064	15,053	14,971
Zywave, Inc.	Software	7.52% (L + 5.00%)	11/17/2022	17,150	17,091	17,150
<b>Total Funded Investments</b>				<b>\$ 342,719</b>	<b>\$ 341,269</b>	<b>\$ 336,914</b>
<b>Unfunded Investments — First lien</b>						
Access CIG, LLC	Business Services	—	2/27/2019	\$ 1,108	\$ —	\$ (28)
	Business					

CHA Holdings, Inc.	Services	—	10/10/2019	2,143	(11)	(6)
	Business					
Drilling Info Holdings, Inc.	Services	—	7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
	Healthcare					
Premise Health Holding Corp.	Services	—	7/10/2020	110	—	(1)
<b>Total Unfunded Investments</b>				<b>5,858</b>	<b>(22)</b>	<b>(45)</b>
<b>Total Investments</b>				<b>\$ 348,577</b>	<b>\$ 341,247</b>	<b>\$ 336,869</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). For each investment, the current interest rate provided reflects the rate in effect as of December 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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Below is certain summarized financial information for SLP II as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and March 31, 2018:

<u>Selected Balance Sheet Information:</u>	<u>March 31, 2019</u> (in thousands)	<u>December 31, 2018</u> (in thousands)
Investments at fair value (cost of \$369,637 and \$341,247, respectively)	\$ 366,806	\$ 336,869
Cash and other assets	8,184	7,620
<b>Total assets</b>	<b>\$ 374,990</b>	<b>\$ 344,489</b>
Credit facility	\$ 267,870	\$ 243,170
Deferred financing costs	(1,226)	(1,374)
Payable for unsettled securities purchased	3,980	—
Distribution payable	4,000	3,250
Other liabilities	2,896	2,869
<b>Total liabilities</b>	<b>277,520</b>	<b>247,915</b>
Members' capital	\$ 97,470	\$ 96,574
<b>Total liabilities and members' capital</b>	<b>\$ 374,990</b>	<b>\$ 344,489</b>

<u>Selected Statement of Operations Information:</u>	<u>Three Months Ended</u>	
	<u>March 31, 2019</u> (in thousands)	<u>March 31, 2018</u> (in thousands)
Interest income	\$ 6,223	\$ 5,630
Other income	26	22
<b>Total investment income</b>	<b>6,249</b>	<b>5,652</b>
Interest and other financing expenses	2,773	2,428
Other expenses	135	224
<b>Total expenses</b>	<b>2,908</b>	<b>2,652</b>
<b>Net investment income</b>	<b>3,341</b>	<b>3,000</b>
Net realized gains on investments	8	453
Net change in unrealized appreciation (depreciation) of investments	1,547	677
<b>Net increase in members' capital</b>	<b>\$ 4,896</b>	<b>\$ 4,130</b>

For the three months ended March 31, 2019 and March 31, 2018, we earned approximately \$3.2 million and \$2.6 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of March 31, 2019 and December 31, 2018, approximately \$3.2 million and \$2.6 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

***NMFC Senior Loan Program III LLC***

SLP III was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between us and

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SkyKnight Income II, LLC ("SkyKnight II") and operates under a limited liability company agreement (the "SLP III Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within 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 III, which has equal representation from us and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of March 31, 2019, we and SkyKnight II have committed and contributed \$80.0 million and \$20.0 million, respectively, of equity to SLP III. Our investment in SLP III is disclosed on our Consolidated Schedule of Investments as of March 31, 2019 and December 31, 2018.

On May 2, 2018, SLP III closed its \$300.0 million revolving credit facility with Citibank, N.A., which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum. As of March 31, 2019 and December 31, 2018, SLP III had total investments with an aggregate fair value of approximately \$384.6 million and \$365.4 million, respectively, and debt outstanding under its credit facility of \$293.1 million and \$280.3 million, respectively. As of March 31, 2019 and December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of March 31, 2019 and December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of \$5.3 million and \$8.8 million, respectively. Below is a summary of SLP III's portfolio, along with a listing of the individual investments in SLP III's portfolio as of March 31, 2019 and December 31, 2018:

<b>(in thousands)</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
First lien investments(1)	396,227	383,289
Weighted average interest rate on first lien investments(2)	6.46%	6.50%
Number of portfolio companies in SLP III	41	39
Largest portfolio company investment(1)	18,914	18,958
Total of five largest portfolio company investments(1)	85,729	85,938

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

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

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The following table is a listing of the individual investments in SLP III's portfolio as of March 31, 2019:

<b>Portfolio Company and Type of Investment</b>	<b>Industry</b>	<b>Interest Rate(1)</b>	<b>Maturity Date</b>	<b>Principal Amount or Par Value (in thousands)</b>	<b>Cost (in thousands)</b>	<b>Fair Value(2) (in thousands)</b>
<b>Funded Investments — First lien</b>						
Access CIG, LLC	Business Services	6.24% (L + 3.75%)	2/27/2025	\$ 1,213	\$ 1,213	\$ 1,204
Affordable Care Holding Corp.	Healthcare Services	7.31% (L + 4.75%)	10/24/2022	6,010	5,914	5,889
Bracket Intermediate Holding Corp.	Healthcare Services	6.73% (L + 4.25%)	9/5/2025	14,925	14,855	14,869
Brave Parent Holdings, Inc.	Software	6.50% (L + 4.00%)	4/18/2025	14,887	14,838	14,732
CentralSquare Technologies, LLC	Software	6.25% (L + 3.75%)	8/29/2025	14,963	14,928	14,766
Certara Holdco, Inc.	Healthcare I.T.	6.10% (L + 3.50%)	8/15/2024	1,272	1,276	1,262
CHA Holdings, Inc.	Business Services	7.10% (L + 4.50%)	4/10/2025	995	995	994
CommerceHub, Inc.	Software Business Services	6.25% (L + 3.75%)	5/21/2025	14,888	14,821	14,683
CRCI Longhorn Holdings, Inc.	Services	6.00% (L + 3.50%)	8/8/2025	14,925	14,856	14,645
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	6.25% (L + 3.75%)	6/6/2025	11,910	11,883	11,642
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	6.25% (L + 3.75%)	6/6/2025	2,194	2,189	2,145
Drilling Info Holdings, Inc.	Business Services	6.75% (L + 4.25%)	7/30/2025	18,851	18,763	18,780
Edgewood Partners Holdings LLC	Business Services	6.75% (L + 4.25%)	9/6/2024	6,397	6,334	6,381
Fastlane Parent Company, Inc.	Distribution & Logistics	7.10% (L + 4.50%)	2/4/2026	3,500	3,431	3,474
GOBP Holdings, Inc.	Retail	6.35% (L + 3.75%)	10/22/2025	14,963	14,927	14,878
Greenway Health, LLC	Software Healthcare	6.35% (L + 3.75%)	2/16/2024	14,783	14,793	13,711
Heartland Dental, LLC	Healthcare Services	6.25% (L + 3.75%)	4/30/2025	18,457	18,373	17,972
Idera, Inc.	Software Business Services	7.00% (L + 4.50%)	6/28/2024	2,288	2,283	2,290
Institutional Shareholder Services Inc.	Business Services	7.10% (L + 4.50%)	3/5/2026	1,000	990	995
J.D. Power (fka J.D. Power and Associates)	Business Services	6.25% (L + 3.75%)	9/7/2023	5,969	5,969	5,880
Market Track, LLC	Business Services	6.83% (L + 4.25%)	6/5/2024	4,814	4,809	4,574
Ministry Brands, LLC	Software	6.50% (L + 4.00%)	12/2/2022	4,584	4,565	4,584
Ministry Brands, LLC	Software	6.50% (L + 4.00%)	12/2/2022	886	882	886
National Intergovernmental Purchasing Alliance Company	Business Services	6.35% (L + 3.75%)	5/23/2025	14,888	14,875	14,813
Navex Topco, Inc.	Software Healthcare	5.75% (L + 3.25%)	9/5/2025	14,924	14,855	14,645
Navicure, Inc.	Healthcare Services	6.25% (L + 3.75%)	11/1/2024	2,977	2,978	2,940
Netsmart Technologies, Inc.	Healthcare I.T. Business	6.25% (L + 3.75%)	4/19/2023	10,411	10,412	10,306
Newport Group Holdings II, Inc.	Business Services	6.36% (L + 3.75%)	9/12/2025	4,975	4,953	4,935
NorthStar Financial Services Group, LLC	Software Business Services	6.08% (L + 3.50%)	5/25/2025	11,770	11,717	11,595
OEConnection LLC	Healthcare Services	6.50% (L + 4.00%)	11/22/2024	1,825	1,838	1,811
Outcomes Group Holdings, Inc.	Healthcare Services	6.00% (L + 3.50%)	10/24/2025	6,484	6,468	6,362
Pelican Products, Inc.	Business Products	5.98% (L + 3.50%)	5/1/2025	4,963	4,951	4,888
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.75% (L + 5.25%)	4/29/2024	15,549	15,480	15,005
Premise Health Holding Corp.	Healthcare Services	6.35% (L + 3.75%)	7/10/2025	13,828	13,763	13,724
Quartz Holding Company	Software	6.49% (L + 4.00%)	4/2/2026	2,000	1,990	2,003
Quest Software US Holdings Inc.	Software	6.99% (L + 4.25%)	5/16/2025	14,963	14,895	14,799
Refinitiv US Holdings Inc. (fka Financial & Risk US Holdings, Inc.)	Business Services	6.25% (L + 3.75%)	10/1/2025	7,980	7,961	7,755
	Food &	6.00%				

Sierra Enterprises, LLC	Beverage	(L + 3.50%)	11/11/2024	2,475	2,472	2,456
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.75%				
	Business	(L + 4.25%)	7/30/2025	14,925	14,890	14,822
VT Topco, Inc.	Services	6.35%				
	Business	(L + 3.75%)	8/1/2025	7,960	7,941	7,920
VT Topco, Inc.	Services	6.35%				
	Business	(L + 3.75%)	8/1/2025	1,145	1,144	1,140
Wirepath LLC	Distribution & Logistics	6.63%				
	Healthcare	(L + 4.00%)	8/5/2024	17,433	17,433	17,172
WP CityMD Bidco LLC	Services	6.10%				
	Healthcare	(L + 3.50%)	6/7/2024	14,849	14,849	14,404
YI, LLC	Services	6.60%				
	Services	(L + 4.00%)	11/7/2024	9,940	9,932	9,878
<b>Total Funded Investments</b>				<b>\$ 390,938</b>	<b>\$ 389,684</b>	<b>\$ 384,609</b>
<b>Unfunded Investments — First lien</b>						
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	—	6/6/2020	\$ 794	\$ —	\$ (18)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	63	—	—
Edgewood Partners Holdings LLC	Business Services	—	7/31/2019	1,087	(11)	(3)
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	413	—	(11)
Ministry Brands, LLC	Software	—	10/18/2019	980	(5)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(6)
VT Topco, Inc.	Business Services	—	8/1/2020	849	—	(4)
<b>Total Unfunded Investments</b>				<b>\$ 5,289</b>	<b>\$ (19)</b>	<b>\$ (42)</b>
<b>Total Investments</b>				<b>\$ 396,227</b>	<b>\$ 389,665</b>	<b>\$ 384,567</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). For each investment, the current interest rate provided reflects the rate in effect as of March 31, 2019.
- (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 III.

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

<b>Portfolio Company and Type of Investment</b>	<b>Industry</b>	<b>Interest Rate(1)</b>	<b>Maturity Date</b>	<b>Principal Amount or Par Value (in thousands)</b>	<b>Cost (in thousands)</b>	<b>Fair Value(2) (in thousands)</b>
<b>Funded Investments — First lien</b>						
Access CIG, LLC	Business Services	6.46% (L + 3.75%)	2/27/2025	\$ 1,216	\$ 1,216	\$ 1,185
Affordable Care Holding Corp.	Healthcare Services	7.25% (L + 4.75%)	10/24/2022	1,025	1,030	1,005
Bracket Intermediate Holding Corp.	Healthcare Services	7.00% (L + 4.25%)	9/5/2025	14,963	14,890	14,813
Brave Parent Holdings, Inc.	Software	6.52% (L + 4.00%)	4/18/2025	14,925	14,874	14,421
CentralSquare Technologies, LLC	Software	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
Certara Holdco, Inc.	Healthcare I.T.	6.30% (L + 3.50%)	8/15/2024	1,275	1,280	1,255
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	997	997	995
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	14,925	14,856	14,515
CRCI Longhorn Holdings, Inc.	Business Services	5.89% (L + 3.50%)	8/8/2025	14,963	14,891	14,588
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	11,940	11,912	11,701
Dentalcorp Perfect Smile ULC	Healthcare Services	6.27% (L + 3.75%)	6/6/2025	1,686	1,685	1,652
Drilling Info Holdings, Inc.	Business Services	6.77% (L + 4.25%)	7/30/2025	17,591	17,507	17,525
Financial & Risk US Holdings, Inc.	Business Services	6.27% (L + 3.75%)	10/1/2025	8,000	7,980	7,512
GOBP Holdings, Inc.	Retail	6.55% (L + 3.75%)	10/22/2025	15,000	14,963	14,625
Greenway Health, LLC	Software	6.56% (L + 3.75%)	2/16/2024	14,821	14,831	14,450
Heartland Dental, LLC	Healthcare Services	6.27% (L + 3.75%)	4/30/2025	17,329	17,249	16,593
HIG Finance 2 Limited	Business Services	6.06% (L + 3.50%)	12/20/2024	1,995	1,985	1,939
Idera, Inc.	Software	7.03% (L + 4.50%)	6/28/2024	2,294	2,289	2,248
J.D. Power (fka J.D. Power and Associates)	Business Services	6.27% (L + 3.75%)	9/7/2023	5,985	5,985	5,835
Market Track, LLC	Business Services	6.87% (L + 4.25%)	6/5/2024	4,827	4,821	4,633
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	4,596	4,576	4,596
Ministry Brands, LLC	Software	6.52% (L + 4.00%)	12/2/2022	600	597	600
National Intergovernmental Purchasing Alliance Company	Business Services	6.55% (L + 3.75%)	5/23/2025	14,925	14,912	14,552
Navex Topco, Inc.	Software	5.78% (L + 3.25%)	9/5/2025	14,963	14,890	14,102
Navicure, Inc.	Healthcare Services	6.27% (L + 3.75%)	11/1/2024	2,985	2,985	2,925
Netsmart Technologies, Inc.	Healthcare I.T.	6.27% (L + 3.75%)	4/19/2023	10,437	10,437	10,307
Newport Group Holdings II, Inc.	Business Services	6.54% (L + 3.75%)	9/12/2025	4,988	4,963	4,875
NorthStar Financial Services Group, LLC	Software	6.10% (L + 3.50%)	5/25/2025	14,925	14,856	14,628
OEConnection LLC	Business Services	6.53% (L + 4.00%)	11/22/2024	1,830	1,843	1,789
Outcomes Group Holdings, Inc.	Healthcare Services	6.28% (L + 3.50%)	10/24/2025	6,500	6,484	6,394
Pelican Products, Inc.	Business Products	5.88% (L + 3.50%)	5/1/2025	4,975	4,963	4,726
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	8.06% (L + 5.25%)	4/29/2024	15,588	15,517	15,199
Premise Health Holding Corp.	Healthcare Services	6.55% (L + 3.75%)	7/10/2025	13,862	13,796	13,689
Quest Software US Holdings Inc.	Software	6.78% (L + 4.25%)	5/16/2025	15,000	14,930	14,535
Sierra Enterprises, LLC	Food & Beverage	6.02% (L + 3.50%)	11/11/2024	2,481	2,478	2,463
SSH Group Holdings, Inc.	Software	6.77% (L + 4.25%)	7/30/2025	14,963	14,927	14,588
University Support Services LLC (St. George's University Scholastic Services LLC)	Education Business	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759

VT Topco, Inc.	Services	(L + 3.75%)	8/1/2025	7,980	7,961	7,882
	Business	6.55%				
VT Topco, Inc.	Services	(L + 3.75%)	8/1/2025	1,004	1,004	992
	Distribution &	6.71%				
Wirepath LLC	Logistics	(L + 4.00%)	8/5/2024	17,477	17,477	17,215
	Healthcare	6.30%				
WP CityMD Bidco LLC	Services	(L + 3.50%)	6/7/2024	14,887	14,887	14,608
	Healthcare	6.80%				
YI, LLC	Services	(L + 4.00%)	11/7/2024	4,965	4,983	4,935
<b>Total Funded Investments</b>				<b>\$ 374,478</b>	<b>\$ 373,443</b>	<b>\$ 365,497</b>
<b>Unfunded Investments — First lien</b>						

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<b>Portfolio Company and Type of Investment</b>	<b>Industry</b>	<b>Interest Rate(1)</b>	<b>Maturity Date</b>	<b>Principal Amount or Par Value (in thousands)</b>	<b>Cost (in thousands)</b>	<b>Fair Value(2) (in thousands)</b>
<b>Funded Investments — First lien</b>						
Dentalcorp Perfect Smile ULC	Healthcare Services	—	6/6/2020	\$ 1,308	\$ (3)	\$ (26)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	1,367	(7)	(11)
Heartland Dental, LLC	Healthcare Services	—	4/30/2020	1,586	—	(67)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(14)
University Support Services LLC (St. George's University Scholastic Services LLC)	Education	—	7/17/2019	1,187	—	(10)
VT Topco, Inc.	Business Services	—	8/1/2020	993	(2)	(12)
<b>Total Unfunded Investments</b>				<b>\$ 8,811</b>	<b>\$ (21)</b>	<b>\$ (140)</b>
<b>Total Investments</b>				<b>\$ 383,289</b>	<b>\$ 373,422</b>	<b>\$ 365,357</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). For each investment, the current interest rate provided reflects the rate in effect as of December 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 III.

Below is certain summarized financial information for SLP III as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and March 31, 2018:

<b>Selected Balance Sheet Information:</b>	<b>March 31, 2019 (in thousands)</b>	<b>December 31, 2018 (in thousands)</b>
Investments at fair value (cost of \$389,665 and \$373,422)	\$ 384,567	\$ 365,357
Cash and other assets	10,487	9,138
Receivable from unsettled securities sold	4,897	—
Total assets	<u>\$ 399,951</u>	<u>\$ 374,495</u>
Credit facility	\$ 293,100	\$ 280,300
Deferred financing costs	(2,670)	(2,831)
Payable for unsettled securities purchased	6,874	—
Distribution payable	3,400	2,600
Other liabilities	4,843	4,456
Total liabilities	305,547	284,525
Members' capital	\$ 94,404	\$ 89,970
Total liabilities and members' capital	<u>\$ 399,951</u>	<u>\$ 374,495</u>

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<b>Selected Statement of Operations Information:</b>	<b>Three Months Ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018(1)</b>
	<b>(in thousands)</b>	<b>(in thousands)</b>
Interest income	\$ 6,293	\$ —
Other income	70	—
Total investment income	6,363	—
Interest and other financing expenses	3,391	—
Other expenses	138	—
Total expenses	3,529	—
Net investment income	2,834	—
Net realized gains on investments	33	—
Net change in unrealized appreciation of investments	2,967	—
Net increase in members' capital	\$ 5,834	\$ —

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

For the three months ended March 31, 2019, we earned approximately \$2.7 million of dividend income related to SLP III, which is included in dividend income. As of March 31, 2019 and December 31, 2018 approximately \$2.7 million and \$2.1 million, respectively, of dividend income related to SLP III was included in interest and dividend receivable.

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

***New Mountain Net Lease Corporation***

NMNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of March 31, 2019.

Below is certain summarized property information for NMNLC as of March 31, 2019:

<b>Portfolio Company</b>	<b>Tenant</b>	<b>Lease Expiration Date</b>	<b>Location</b>	<b>Total Square Feet (in thousands)</b>	<b>Fair Value as of March 31, 2019 (in thousands)</b>
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	\$ 34,092
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	20,628
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,731
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	9,620
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	6,006
NM DRVT, LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,661
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	4,294
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	2,557
					<u>\$ 95,589</u>

***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

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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, 2019 and December 31, 2018, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a fair value of \$23.5 million and \$23.5 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to us, therefore, we do not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized our contractual rights under the collateralized agreement. We continue to exercise our rights under the collateralized agreement and continue to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

### ***PPVA Black Elk (Equity) LLC***

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

In August 2017, a trustee (the "Black Elk Trustee") for Black Elk informed us that the Black Elk Trustee intended to assert a fraudulent conveyance claim (the "Claim") against us and one of its affiliates seeking the return of the \$20.5 million repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Black Elk Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to us under the SPP Agreement. We were unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, we settled the Black Elk Trustee's \$20.5 million Claim for \$16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16.0 million that is owed to us under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. We continue to exercise our rights under the SPP Agreement and continue to monitor the liquidation process of the private hedge fund. As of March 31, 2019 and December 31, 2018, the SPP Agreement has a cost basis of \$14.5 million and \$14.5 million, respectively, and a fair value of \$11.4 million and \$11.4 million, respectively, which is reflective of the higher inherent risk in this transaction.

### ***Revenue Recognition***

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

*Interest and dividend income:* Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans

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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, 2019 and March 31, 2018, we recognized PIK and non-cash interest from investments of approximately \$3.0 million and \$1.7 million, respectively, and PIK and non-cash dividends from investments of approximately \$4.3 million and \$6.8 million, respectively.

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

*Non-accrual income:* Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management's judgment of the ultimate collectibility. 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, where the risk of loss has materially increased since the original investment; and
- Investment Rating 4 — Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

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The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of March 31, 2019:

(in millions) Investment Rating	As of March 31, 2019			
	Cost	Percent	Fair Value	Percent
Investment Rating 1	\$ 105.7	4.2%	\$ 107.6	4.3%
Investment Rating 2	2,386.6	95.7%	2,414.7	95.7%
Investment Rating 3	—	—%	—	—%
Investment Rating 4	1.5	0.1%	0.0	0.0%
	<u>\$ 2,493.8</u>	<u>100.0%</u>	<u>\$ 2,522.3</u>	<u>100.0%</u>

As of March 31, 2019, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of one portfolio company 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 common shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of March 31, 2019, our investments in EDMC with an Investment Rating of 4 had an aggregate cost basis of \$1.5 million, an aggregate fair value of less than \$0.1 million and total unearned interest income of less than \$0.1 million for the three months then ended.

### Portfolio and Investment Activity

The fair value of our investments was approximately \$2,522.3 million in 97 portfolio companies at March 31, 2019 and approximately \$2,342.0 million in 92 portfolio companies at December 31, 2018.

The following table shows our portfolio and investment activity for the three months ended March 31, 2019 and March 31, 2018:

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
New investments in 17 and 21 portfolio companies, respectively	\$ 158.3	\$ 237.8
Debt repayments in existing portfolio companies	5.9	84.0
Sales of securities in 0 and 1 portfolio companies, respectively	—	3.1
Change in unrealized appreciation on 38 and 22 portfolio companies, respectively	19.6	5.0
Change in unrealized depreciation on 54 and 61 portfolio companies, respectively	(3.3)	(7.2)

### Recent Accounting Standards Updates

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. The Company is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Company has elected to early adopt ASU 2018-13 as of December 31, 2018.

**Results of Operations for the Three Months Ended March 31, 2019 and March 31, 2018****Revenue**

<b>(in thousands)</b>	<b>Three Months Ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Interest income	\$ 47,924	\$ 36,739
Total dividend income	13,493	12,357
Other income	2,774	3,793
Total investment income	<u>\$ 64,191</u>	<u>\$ 52,889</u>

Our total investment income increased by approximately \$11.3 million, or 21%, for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. For the three months ended March 31, 2019, total investment income of approximately \$64.2 million consisted of approximately \$44.0 million in cash interest from investments, approximately \$3.0 million in PIK and non-cash interest from investments, approximately \$0.1 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$0.8 million, approximately \$9.2 million in cash dividends from investments, approximately \$4.3 million in PIK and non-cash dividends from investments and approximately \$2.8 million in other income. The increase in interest income of approximately \$11.2 million during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 was primarily due to increased interest income which is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 convertible notes issuance, our July 2018 and September 2018 unsecured notes issuances, higher drawn balances of our Holdings Credit Facility (as defined below), borrowings from our newly formed DB Credit Facility (as defined below) and our February 2019 public offering of our common stock all of which were to originate new investments. Also contributing to the increase in total investment income is the increase in dividend income of approximately \$1.1 million which is due to distributions from our investments in NMNLC, SLP II, SLP III and PIK and non-cash dividend income from five portfolio companies where we hold equity positions. Other income during the three months ended March 31, 2019, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, commitment and amendment fees received from seven different portfolio companies and management fees from a non-controlled affiliated portfolio company.

**Operating Expenses**

<b>(in thousands)</b>	<b>Three Months Ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Management fee	\$ 10,975	\$ 8,692
Less: management fee waiver	(2,533)	(1,322)
Total management fee	8,442	7,370
Incentive fee	6,863	6,434
Interest and other financing expenses	19,146	11,290
Professional fees	766	694
Administrative expenses	1,095	939
Other general and administrative expenses	412	410
Net expenses before income taxes	36,724	27,137
Income tax expense	17	16
Net expenses after income taxes	<u>\$ 36,741</u>	<u>\$ 27,153</u>

Our total net operating expenses increased by approximately \$9.6 million for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. Our management fee

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increased by approximately \$1.1 million, net of a management fee waiver, and our incentive fee increased by approximately \$0.4 million for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018. The increase in management and incentive fees was attributable to larger invested balances, driven by the proceeds from our convertible notes issuance, our unsecured notes issuances, our February 2019 public offering of common stock and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures used to originate new investments.

Interest and other financing expenses increased by approximately \$7.9 million during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018, primarily due to our issuances of convertible and unsecured notes, higher drawn balances on our SBA-guaranteed debentures, Holdings Credit Facility and DB Credit Facility and rising LIBOR rates. Our total professional fees, administrative expenses and total other general and administrative expenses for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 remained relatively flat.

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

(in thousands)	Three Months Ended	
	March 31, 2019	March 31, 2018
Net realized gains on investments	\$ 46	\$ 206
Net change in unrealized appreciation (depreciation) of investments	16,314	(2,168)
Net change in unrealized depreciation securities purchased under collateralized agreements to resell	—	(12)
Benefit for taxes	110	82
Net realized and unrealized gains (losses)	<u>\$ 16,470</u>	<u>\$ (1,892)</u>

Our net realized and unrealized gains resulted in a net gain of approximately \$16.5 million for the three months ended March 31, 2019 compared to net realized gains and unrealized losses resulting in a net loss of approximately \$1.9 million for the same period in 2018. 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 gain for the three months ended March 31, 2019 was primarily driven by the overall increase in 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, 2019 in three of our corporate subsidiaries. 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.

**Results of Operations for the Years Ended December 31, 2018, December 31, 2017 and December 31, 2016****Revenue**

(in thousands)	Year Ended December 31,		
	2018	2017	2016
Interest income	\$ 161,899	\$ 149,800	\$ 147,425
Total dividend income	53,824	37,250	11,200
Other income	15,742	10,756	9,459
Total investment income	<u>\$ 231,465</u>	<u>\$ 197,806</u>	<u>\$ 168,084</u>

Our total investment income increased by approximately \$33.7 million, 17%, for the year ended December 31, 2018 as compared to the year ended December 31, 2017. For the year ended December 31, 2018, total investment income of \$231.5 million consisted of approximately \$143.6 million in cash interest

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from investments, approximately \$8.6 million in PIK and non-cash interest from investments, approximately \$4.5 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$5.2 million, approximately \$28.9 million in cash dividends from investments, approximately \$24.9 million in PIK and non-cash dividends from investments and approximately \$15.8 million in other income. The increase in dividend income of approximately \$16.6 million during the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily attributable to distributions from our investments in NMNLC, SLP III and PIK and non-cash dividend income from six portfolio companies where we hold equity positions. The increase in interest income of approximately \$12.1 million from the year ended December 31, 2017 to the year ended December 31, 2018, is attributable to larger invested balances and rising LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 Convertible Notes issuance and our January 2018, July 2018 and September 2018 unsecured notes issuances, as well as, our use of leverage from our revolving credit facilities to originate new investments. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$5.0 million during the year ended December 31, 2018 as compared to the year ended December 31, 2017 was primarily attributable to upfront, amendment and consent fees received from forty-nine different portfolio companies.

Our total investment income increased by approximately \$29.7 million, 18%, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. For the year ended December 31, 2017, total investment income of \$197.8 million consisted of approximately \$129.3 million in cash interest from investments, approximately \$6.4 million in PIK and non-cash interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$9.2 million, approximately \$19.4 million in cash dividends from investments, approximately \$17.8 million in PIK and non-cash dividends from investments and approximately \$10.8 million in other income. For the year ended December 31, 2016, total adjusted investment income of \$168.0 million consisted of approximately \$135.2 million in cash interest from investments, approximately \$4.3 million in PIK and non-cash interest from investments, approximately \$4.9 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$3.0 million, approximately \$8.0 million in cash dividends from investments, approximately \$3.2 million in PIK and non-cash dividends from investments and approximately \$9.4 million in other income. The increase in interest income of approximately \$2.4 million from the year ended December 31, 2016 to the year ended December 31, 2017 is attributable to larger invested balances and prepayment fees received associated with the early repayments of eleven different portfolio companies held as of December 31, 2016. Our larger invested balances were driven by the proceeds from the April 2017 primary offering of our common stock, our June 2017 unsecured notes issuance, as well as, our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. The increase in dividend income of approximately \$26.1 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to distributions from our investments in SLP II and NMNLC and PIK non-cash dividend income from five equity positions. The increase in other income, which represents fees that are generally non-recurring in nature, of approximately \$1.3 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily attributable to structuring, upfront, amendment, consent and commitment fees received from 46 different portfolio companies.

**Operating Expenses**

<b>(in thousands)</b>	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Management fee	\$ 38,530	\$ 32,694	\$ 27,551
Less: management fee waiver	(6,709)	(5,642)	(4,824)
Total management fee	31,821	27,052	22,727
Incentive fee	26,508	25,101	22,011
Less: incentive fee waiver	—	(1,800)	—
Total incentive fee	26,508	23,301	22,011
Interest and other financing expenses	57,050	37,094	28,452
Professional fees	4,497	3,658	3,087
Administrative fees	3,629	2,779	2,683
Other general and administrative expenses	1,913	1,636	1,589
Total expenses	125,418	95,520	80,549
Less: expenses waived and reimbursed	(276)	(474)	(725)
Net expenses before income taxes	125,142	95,046	79,824
Income tax expense	291	556	152
Net expenses after income taxes	<u>\$ 125,433</u>	<u>\$ 95,602</u>	<u>\$ 79,976</u>

Our total net operating expenses increased by approximately \$29.8 million for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Our management fee increased by approximately \$4.8 million, net of a management fee waiver, and incentive fees increased by approximately \$3.2 million, net of an incentive fee waiver, for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase in management and incentive fees from the year ended December 31, 2017 to the year ended December 31, 2018 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our convertible notes issuance, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. In addition, our increase in incentive fees was attributable to an incentive fee waiver by the Investment Adviser for the year ended December 31, 2017 of approximately \$1.8 million. No capital gains incentive fee was accrued for the year ended December 31, 2018.

Interest and other financing expenses increased by approximately \$20.0 million during the year ended December 31, 2018, primarily due to our issuances of convertible and unsecured notes, higher drawn balances on our SBA-guaranteed debentures, Holdings Credit Facility and NMFC Credit Facility and rising LIBOR rates. Our increase in total professional fees, administrative fees, net of expenses waived and reimbursed, and other general and administrative expenses for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly attributable to an increase in professional fees relating to evaluating and making investments, as well as on-going monitoring of investments.

Our total net operating expenses increased by approximately \$15.6 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Our management fee increased by approximately \$4.3 million, net of a management fee waiver, and incentive fees increased by approximately \$1.3 million, net of an incentive fee waiver, for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in management and incentive fees from the year ended December 31, 2016 to the year ended December 31, 2017 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to

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originate new investments. No capital gains incentive fee was accrued for the year ended December 31, 2017.

Interest and other financing expenses increased by approximately \$8.6 million during the year ended December 31, 2017, primarily due to our issuance of our unsecured notes, higher drawn balances on our SBA-guaranteed debentures and an increase in LIBOR rates. Our total professional fees, administrative fees, net of expenses waived and reimbursed, and other general and administrative expenses remained relatively flat for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

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

<b>(in thousands)</b>	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net realized losses on investments	\$ (9,657)	\$ (39,734)	\$ (16,717)
Net change in unrealized (depreciation) appreciation of investments	(22,206)	50,794	40,131
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	(1,704)	(4,006)	(486)
(Provision) benefit for taxes	(112)	140	642
Net realized and unrealized (losses) gains	<u>\$ (33,679)</u>	<u>\$ 7,194</u>	<u>\$ 23,570</u>

Our net realized and unrealized losses resulted in a net loss of approximately \$33.7 million for the year ended December 31, 2018 compared to the net realized losses and unrealized gains resulting in a net gain of approximately \$7.2 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 year ended December 31, 2018 was primarily driven by the overall decrease in the market prices of our investments during the period. Also contributing to our net loss were the realized loss on our investment in American Tire Distributors, Inc. ("ATD"), which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier and by the realized loss on our investment in NHME during the quarter ended December 31, 2018 due to the material modification of the original terms and extinguishment of our original investment in the company. This was partially offset by the realized gain on the sale of our investment in HI Technology Corp. The provision for income taxes was attributable to equity investments that are held as of December 31, 2018 in three of our corporate subsidiaries.

Our net realized losses and unrealized gains resulted in a net gain of approximately \$7.2 million for the year ended December 31, 2017 compared to the net realized losses and unrealized gains resulting in a net gain of approximately \$23.6 million for the same period in 2016. 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 gain for the year ended December 31, 2017 was primarily driven by the overall increase in market prices of our investments during the period. With the completion of the Transtar and Sierra restructurings in April 2017 and July 2017, respectively, \$27.6 million and \$14.5 million, respectively, of previously recorded unrealized depreciation related to these investments were realized during the year ended December 31, 2017. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2017.

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The net gain for the year ended December 31, 2016 was primarily driven by the overall increase in the market prices of our investments during the period and sales or repayments of investments with fair values in excess of December 31, 2015 valuations, resulting in net realized gains being greater than the reversal of the cumulative net unrealized gains for those investments. The net gain was offset by a \$17.9 million realized loss on an investment resulting from the modification of terms on a portfolio company that was accounted for as an extinguishment. The benefit for income taxes was primarily attributable to equity investments that are held in three of our corporate subsidiaries as of December 31, 2016.

### **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, 2019, we raised approximately \$673.9 million in net proceeds from additional offerings of our common stock.

On February 14, 2019, we completed a public offering of 4,312,500 shares of our common stock (including 562,500 shares of common stock that were issued pursuant to the full exercise of the overallotment option granted to the underwriters to purchase additional shares) at a public offering price of \$13.57 per share. The Investment Adviser paid all of the underwriters' sales load of \$0.42 per share and an additional supplemental payment of \$0.18 per share to the underwriters, which reflects the difference between the public offering price of \$13.57 per share and the net proceeds of \$13.75 per share received by us in this offering. All payments made by the Investment Adviser are not subject to reimbursement by us. We received total net proceeds of approximately \$59.3 million in connection with this offering.

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. On March 23, 2018, the Small Business Credit Availability Act (the "SBCA") was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150.0% from 200.0% under certain circumstances. On April 12, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA, and recommended the submission of a proposal for stockholders to approve the application of the 150.0% minimum asset coverage ratio to us at a special meeting of stockholders, which was held on June 8, 2018. The stockholder proposal was approved by the required votes of our stockholders at such special meeting of stockholders, and thus we became subject to the 150.0% minimum asset coverage ratio on June 9, 2018. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 150.0% after such borrowing (which means we can borrow \$2 for every \$1 of our equity). As a result of our exemptive relief received on November 5, 2014, we are permitted to exclude our SBA-guaranteed debentures from the 150.0% asset coverage ratio that we are required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the Existing 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of March 31, 2019, our asset coverage ratio was 179.7%.

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At March 31, 2019 and December 31, 2018, we had cash and cash equivalents of approximately \$65.6 million and \$49.7 million, respectively. Our cash used in operating activities during the three months ended March 31, 2019 and March 31, 2018 was approximately \$139.3 million and \$83.8 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 (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on November 19, 2018, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of \$695.0 million and the actual commitments of the lenders to make advances as of such date.

As of March 31, 2019, the maximum amount of revolving borrowings available under the Holdings Credit Facility is \$675.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio of 150.0%. 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.

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

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2019 and March 31, 2018.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
Interest expense	\$ 6.3	\$ 3.1
Non-usage fee	\$ 0.1	\$ 0.2
Amortization of financing costs	\$ 0.7	\$ 0.6
Weighted average interest rate	4.5%	3.9%
Effective interest rate	5.1%	5.0%
Average debt outstanding	\$ 566.3	\$ 322.9

As of March 31, 2019 and December 31, 2018, the outstanding balance on the Holdings Credit Facility was \$567.1 million and \$512.6 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 from time to time, and 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

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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. 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 the most recent amendment on July 5, 2018, the maturity date of the NMFC Credit Facility is June 4, 2022 and the NMFC Credit Facility includes the financial covenants related to the asset coverage discussed above.

As of March 31, 2019, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the related 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 the 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, 2019 and March 31, 2018.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
Interest expense	\$ 1.0	\$ 0.9
Non-usage fee	\$ 0.1	\$ 0.1
Amortization of financing costs	\$ 0.1	\$ 0.1
Weighted average interest rate	5.1%	4.2%
Effective interest rate	5.9%	5.1%
Average debt outstanding	\$ 81.5	\$ 81.7

As of March 31, 2019 and December 31, 2018, the outstanding balance on the NMFC Credit Facility was \$135.0 million and \$60.0 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

**DB Credit Facility** — The Loan Financing and Servicing Agreement (the "DB Credit Facility") dated December 14, 2018, among NMFDB as the borrower, Deutsche Bank AG, New York Branch ("Deutsche Bank") as the facility agent, Lender and other agent from time to time party thereto and U.S. Bank National Association, as collateral agent and collateral custodian, is structured as a secured revolving credit facility and matures on December 14, 2023.

As of March 31, 2019, the maximum amount of revolving borrowings available under the DB Credit Facility was \$100.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to us and is collateralized by all of the investments of NMFDB on an investment by investment basis. All fees associated with the origination of the DB 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 DB Credit Facility. The DB Credit Facility contains certain customary affirmative and negative covenants and events of default. The covenants are generally not tied to mark to market fluctuations in the prices of NMFDB investments, but rather to the performance of the underlying portfolio companies.

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The advances under the DB Credit Facility accrue interest at a per annum rate equal to the Applicable Margin plus the lender's Cost of Funds Rate. The "Applicable Margin" is equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. The "Cost of Funds Rate" for a conduit lender is the lower of its commercial paper rate and the Base Rate plus 0.50%, and for any other lender is the Base Rate. The "Base Rate" is the three-months LIBOR Rate but may become an alternative base rate based on Deutsche Bank's base lending rate if certain LIBOR disruption events occur. We are also charged a non-usage fee, based on the unused facility amount multiplied by the Undrawn Fee Rate (as defined in the Loan Financing and Servicing Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the three months ended March 31, 2019 and March 31, 2018.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018(1)
Interest expense	\$ 0.5	\$ —
Non-usage fee	\$ 0.1	\$ —
Amortization of financing costs	\$ 0.1	\$ —
Weighted average interest rate	5.6%	—%
Effective interest rate	7.1%	—%
Average debt outstanding	\$ 38.5	\$ —

(1) Not applicable as the DB Credit Facility commenced on December 14, 2018.

As of March 31, 2019 and December 31, 2018, the outstanding balance on the DB Credit Facility was \$50.0 million and \$57.0 million, respectively, and NMFDB was in compliance with the applicable covenants in the DB Credit Facility on such dates.

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

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

As of March 31, 2019, the maximum amount of revolving borrowings available under the NMNL Credit Facility was \$30.0 million. For the three months ended March 31, 2019, interest expense, non-usage fees and amortization of financing costs were each less than \$50 thousand. As of March 31, 2019 and December 31, 2018, the outstanding balance on the NMNL Credit Facility was \$0 and NMNL was in compliance with the applicable covenants in the NMNL Credit Facility on such dates.

### **Convertible Notes**

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

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in right of payment with, and form a single series with the \$115.0 million aggregate principal amount of 2014 Convertible Notes that we issued on June 3, 2014.

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

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

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

**Existing 2018 Convertible Notes** — On August 20, 2018, we closed a registered public offering of \$100.0 million aggregate principal amount of unsecured convertible notes (the "Existing 2018 Convertible Notes" and together with the 2014 Convertible Notes, the "Existing Convertible Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the "2018A Indenture"). On August 30, 2018, in connection with the registered public offering, we issued an additional \$15.0 million aggregate principal amount of the Existing 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the Existing 2018 Convertible Notes.

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

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

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

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The following table summarizes certain key terms related to the convertible features of our Existing Convertible Notes as of March 31, 2019.

	<u>2014 Convertible Notes</u>	<u>2018 Convertible Notes</u>
Initial conversion premium	12.5%	10.0%
Initial conversion rate(1)	62.7746	65.8762
Initial conversion price	\$ 15.93	\$ 15.18
Conversion premium at March 31, 2019	11.7%	10.0%
Conversion rate at March 31, 2019(1)(2)	63.2794	65.8762
Conversion price at March 31, 2019(2)(3)	\$ 15.80	\$ 15.18
Last conversion price calculation date	June 3, 2018	August 20, 2018

- (1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the Existing 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, 2019 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 for the 2014 Convertible Notes and \$13.80 per share for the Existing 2018 Convertible Notes. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the 2014 Convertible Notes or 72.4637 per \$1.0 thousand principal amount of the Existing 2018 Convertible Notes. We have determined that the embedded conversion option in the Existing Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The Existing Convertible Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness, if any, that is expressly subordinated in right of payment to the Existing Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The issuance is considered part of the if-converted method for calculation of diluted earnings per share. The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Existing Convertible Notes for the three months ended March 31, 2019 and March 31, 2018.

<u>(in millions)</u>	<u>Three Months Ended</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Interest expense	\$ 3.6	\$ 1.9
Amortization of financing costs	\$ 0.3	\$ 0.3
Amortization of premium	\$ —(1)	\$ —(1)
Weighted average interest rate	5.4%	5.0%
Effective interest rate	5.9%	5.8%
Average debt outstanding	\$ 270.3	\$ 155.3

- (1) For the three months ended March 31, 2019 and March 31, 2018, the total amortization of premium was less than \$50 thousand.

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As of March 31, 2019 and December 31, 2018, the outstanding balance on the Existing Convertible Notes was \$270.3 million and \$270.3 million, respectively, and NMFC was in compliance with the terms of the 2014 Indenture and 2018A Indenture on such dates, as applicable.

### *Unsecured Notes*

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

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.870%, payable semi-annually on February 15 and August 15 of each year, which commenced on August 15, 2018. The 2018B Unsecured Notes bear interest at an annual rate of 5.360%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below \$150.0 million. In each such event, we have the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

On September 25, 2018, we closed a registered public offering of \$50.0 million in aggregate principal amount of five-year 5.75% Unsecured Notes (together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes and 2018B Unsecured Notes, the "Unsecured Notes"), pursuant to an indenture, dated August 20, 2018, as supplemented by a second supplemental indenture thereto, dated September 25, 2018 (together, the "2018B Indenture"). On October 17, 2018, in connection with the registered public offering, we issued an additional \$1.8 million aggregate principal amount of

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the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

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

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

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

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

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2019 and March 31, 2018.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018(1)
Interest expense	\$ 4.4	\$ 2.6
Amortization of financing costs	\$ 0.3	\$ 0.2
Weighted average interest rate	5.3%	5.1%
Effective interest rate	5.6%	5.4%
Average debt outstanding	\$ 336.8	\$ 206.0

- (1) For the three months ended March 31, 2018, amounts reported include interest and amortization of financing costs related to the 2018A Unsecured Notes for the period from January 30, 2018 (issuance date of the 2018A Unsecured Notes) to March 31, 2018.

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As of March 31, 2019 and December 31, 2018, the outstanding balance on the Unsecured Notes was \$336.8 million and \$336.8 million, respectively, and we were in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, legislation amended the 1958 Act by increasing the individual leverage limit from \$150.0 million to \$175.0 million, subject to SBA approvals.

As of March 31, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, SBIC II had regulatory capital of \$42.5 million and \$42.5 million, respectively, and \$15.0 million and \$15.0 million, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of March 31, 2019.

(in millions) Issuance Date	Maturity Date	Debenture Amount	Interest Rate	SBA Annual Charge
<b>Fixed SBA-guaranteed debentures(1):</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>Fixed SBA-guaranteed debentures(2):</b>				
September 19, 2018	September 1, 2028	15.0	3.548%	0.222%
<b>Total SBA-guaranteed debentures</b>		<b>\$ 165.0</b>		

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

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

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

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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, 2019 and March 31, 2018.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
Interest expense	\$ 1.3	\$ 1.2
Amortization of financing costs	\$ 0.1	\$ 0.1
Weighted average interest rate	3.3%	3.1%
Effective interest rate	3.6%	3.5%
Average debt outstanding	\$ 165.0	\$ 150.0

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. 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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, we had outstanding commitments to third parties to fund investments totaling \$135.6 million and \$137.9 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, 2019 and December 31, 2018, we had commitment letters to purchase investments in an aggregate par amount of \$43.0 million and \$27.5 million, respectively. As of March 31, 2019 and December 31, 2018, we had not entered into any bridge financing commitments which could require funding in the future.

[Table of Contents](#)**Contractual Obligations**

A summary of our significant contractual payment obligations as of March 31, 2019 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)	\$ 567.1	\$ —	\$ —	\$ 567.1	\$ —
Unsecured Notes(2)	336.8	—	90.0	246.8	—
SBA-guaranteed debentures (3)	165.0	—	—	—	165.0
Existing Convertible Notes(4)	270.3	155.3	—	115.0	—
NMFC Credit Facility(5)	135.0	—	—	135.0	—
DB Credit Facility(6)	50.0	—	—	50.0	—