

Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 2019

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

Commission
File Number
814-00832

Exact name of registrant as specified in its charter, address of principal executive
offices, telephone numbers and states or other jurisdictions of incorporation or organization

I.R.S. Employer
Identification Number
27-2978010

New Mountain Finance Corporation

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	NMFC	New York Stock Exchange
5.75% Notes due 2023	NMFX	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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

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

Description	Shares as of August 7, 2019
Common stock, par value \$0.01 per share	87,510,302

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2019
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$2,139,158 and \$1,868,785, respectively)	\$ 2,144,134	\$ 1,861,323
Non-controlled/affiliated investments (cost of \$80,065 and \$78,438, respectively)	76,592	77,493
Controlled investments (cost of \$399,317 and \$382,503, respectively)	422,370	403,137
Total investments at fair value (cost of \$2,618,540 and \$2,329,726, respectively)	2,643,096	2,341,953
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively)	23,508	23,508
Cash and cash equivalents	87,161	49,664
Interest and dividend receivable	33,385	30,081
Receivable from affiliates	297	288
Other assets	3,869	3,172
Total assets	\$ 2,791,316	\$ 2,448,666
Liabilities		
Borrowings		
Holdings Credit Facility	\$ 549,063	\$ 512,563
Unsecured Notes	453,250	336,750
Convertible Notes	201,674	270,301
SBA-guaranteed debentures	165,000	165,000
NMFC Credit Facility	135,000	60,000
DB Credit Facility	100,000	57,000
Deferred financing costs (net of accumulated amortization of \$25,481 and \$22,234, respectively)	(16,469)	(17,515)
Net borrowings	1,587,518	1,384,099
Payable for unsettled securities purchased	84,930	20,147
Interest payable	15,501	12,397
Management fee payable	8,817	8,392
Incentive fee payable	6,987	6,864
Deferred tax liability	1,166	1,006
Payable to affiliates	451	1,021
Other liabilities	5,029	8,471
Total liabilities	1,710,399	1,442,397
Commitments and contingencies (See Note 9)		
Net assets		
Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued	—	—
Common stock, par value \$0.01 per share, 200,000,000 and 100,000,000 shares authorized, respectively, and 80,610,302 and 76,106,372 shares issued and outstanding, respectively	806	761
Paid in capital in excess of par	1,097,286	1,035,629
Accumulated overdistributed earnings	(17,175)	(30,121)
Total net assets	\$ 1,080,917	\$ 1,006,269
Total liabilities and net assets	\$ 2,791,316	\$ 2,448,666
Number of shares outstanding	80,610,302	76,106,372
Net asset value per share	\$ 13.41	\$ 13.22

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Investment income				
From non-controlled/non-affiliated investments:				
Interest income	\$ 48,018	\$ 38,510	\$ 92,475	\$ 73,946
Dividend income	—	—	—	486
Non-cash dividend income	2,069	1,439	4,043	2,763
Other income	1,841	1,013	4,095	3,881
From non-controlled/affiliated investments:				
Interest income	1,033	210	2,037	312
Dividend income	812	791	1,538	1,636
Non-cash dividend income	301	4,017	592	8,026
Other income	301	912	592	1,214
From controlled investments:				
Interest income	2,584	1,370	5,047	2,571
Dividend income	7,265	4,591	15,722	8,830
Non-cash dividend income	2,128	1,508	4,173	2,962
Other income	113	237	342	860
Total investment income	66,465	54,598	130,656	107,487
Expenses				
Incentive fee	6,987	6,430	13,850	12,864
Management fee	11,640	9,301	22,615	17,993
Interest and other financing expenses	20,719	12,824	39,865	24,114
Professional fees	886	708	1,652	1,402
Administrative expenses	1,049	822	2,144	1,761
Other general and administrative expenses	398	518	810	928
Total expenses	41,679	30,603	80,936	59,062
Less: management fees waived (See Note 5)	(2,823)	(1,495)	(5,356)	(2,817)
Less: expenses waived and reimbursed (See Note 5)	(335)	(276)	(335)	(276)
Net expenses	38,521	28,832	75,245	55,969
Net investment income before income taxes	27,944	25,766	55,411	51,518
Income tax expense	(4)	45	13	61
Net investment income	27,948	25,721	55,398	51,457
Net realized gains (losses):				
Non-controlled/non-affiliated investments	47	(6,609)	90	(6,403)
Controlled investments	5	—	8	—
Net change in unrealized appreciation (depreciation):				
Non-controlled/non-affiliated investments	2,677	(14,500)	12,440	(18,021)
Non-controlled/affiliated investments	(1,637)	8,270	(2,528)	10,079
Controlled investments	(5,025)	11,317	2,417	10,861
Securities purchased under collateralized agreements to resell	—	—	—	(12)
Provision for taxes	(270)	(1,066)	(160)	(984)
Net realized and unrealized gains (losses)	(4,203)	(2,588)	12,267	(4,480)
Net increase in net assets resulting from operations	\$ 23,745	\$ 23,133	\$ 67,665	\$ 46,977
Basic earnings per share	\$ 0.29	\$ 0.30	\$ 0.85	\$ 0.62
Weighted average shares of common stock outstanding - basic (See Note 11)				
	80,522,426	75,938,857	79,495,737	75,936,986
Diluted earnings per share	\$ 0.27	\$ 0.29	\$ 0.76	\$ 0.58
Weighted average shares of common stock outstanding - diluted (See Note 11)				
	97,693,499	85,762,984	96,780,587	85,761,113
Distributions declared and paid per share	\$ 0.34	\$ 0.34	\$ 0.68	\$ 0.68

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Increase (decrease) in net assets resulting from operations:				
Net investment income	\$ 27,948	\$ 25,721	\$ 55,398	\$ 51,457
Net realized gains (losses) on investments	52	(6,609)	98	(6,403)
Net change in unrealized (depreciation) appreciation of investments	(3,985)	5,087	12,329	2,919
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	—	—	—	(12)
Provision for taxes	(270)	(1,066)	(160)	(984)
Net increase in net assets resulting from operations	23,745	23,133	67,665	46,977
Capital transactions				
Net proceeds from shares sold	—	—	59,297	—
Deferred offering costs	—	—	(229)	—
Distributions declared to stockholders from net investment income	(27,377)	(25,818)	(54,719)	(51,636)
Reinvestment of distributions	1,270	2,330	2,634	2,330
Total net increase (decrease) in net assets resulting from capital transactions	(26,107)	(23,488)	6,983	(49,306)
Net increase (decrease) in net assets	(2,362)	(355)	74,648	(2,329)
Net assets at the beginning of the period	1,083,279	1,033,001	1,006,269	1,034,975
Net assets at the end of the period	\$ 1,080,917	\$ 1,032,646	\$ 1,080,917	\$ 1,032,646
Capital share activity				
Shares sold	—	—	4,312,500	—
Shares issued from the reinvestment of distributions	90,872	171,279	191,430	171,279
Net increase in shares outstanding	90,872	171,279	4,503,930	171,279

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

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 67,665	\$ 46,977
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gains) losses on investments	(98)	6,403
Net change in unrealized appreciation of investments	(12,329)	(2,919)
Net change in unrealized depreciation of securities purchased under collateralized agreements to resell	—	12
Amortization of purchase discount	(2,205)	(2,592)
Amortization of deferred financing costs	3,247	2,651
Amortization of premium on Convertible Notes	(57)	(55)
Non-cash investment income	(14,274)	(8,559)
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(341,402)	(549,417)
Proceeds from sales and paydowns of investments	74,268	296,835
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	88	588
Cash paid for purchase of drawn portion of revolving credit facilities	(338)	(11,631)
Cash paid on drawn revolvers	(13,181)	(11,004)
Cash repayments on drawn revolvers	8,328	9,938
Interest and dividend receivable	(3,304)	(10,553)
Receivable from affiliates	(9)	(609)
Other assets	(802)	4,597
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	64,783	29,903
Interest payable	3,104	1,992
Management fee payable	425	15,175
Incentive fee payable	123	12,864
Deferred tax liability	160	984
Payable to affiliates	(570)	1,625
Other liabilities	(3,360)	8,469
Net cash flows used in operating activities	(169,738)	(158,326)
Cash flows from financing activities		
Net proceeds from shares sold	59,297	—
Distributions paid	(52,085)	(49,306)
Offering costs paid	(380)	(40)
Proceeds from Holdings Credit Facility	119,500	152,500
Repayment of Holdings Credit Facility	(83,000)	(74,400)
Proceeds from Convertible Notes	86,681	—
Repayments from Convertible Notes	(155,250)	—
Proceeds from Unsecured Notes	116,500	90,000
Proceeds from SBA-guaranteed debentures	—	13,000
Proceeds from NMFC Credit Facility	245,000	120,000
Repayment of NMFC Credit Facility	(170,000)	(92,500)
Proceeds from DB Credit Facility	95,000	—
Repayment of DB Credit Facility	(52,000)	—
Deferred financing costs paid	(2,028)	(1,916)
Net cash flows provided by financing activities	207,235	157,338
Net increase (decrease) in cash and cash equivalents	37,497	(988)
Cash and cash equivalents at the beginning of the period	49,664	34,936
Cash and cash equivalents at the end of the period	\$ 87,161	\$ 33,948
Supplemental disclosure of cash flow information		
Cash interest paid	\$ 34,452	\$ 18,871

Income taxes paid		10		216
Non-cash operating activities:				
Non-cash activity on investments	\$	—	\$	1,346
Non-cash financing activities:				
Value of shares issued in connection with the distribution reinvestment plan	\$	2,634	\$	2,330
Accrual for offering costs		40		904
Accrual for deferred financing costs		336		170

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

New Mountain Finance Corporation

Consolidated Schedule of Investments

June 30, 2019

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - Canada								
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)**								
Healthcare Services	Second lien (3)	9.90% (L + 7.50%/M)	6/1/2018	6/8/2026	\$ 28,613	\$ 28,377	\$ 28,040	
	Second lien (8)	9.90% (L + 7.50%/M)	6/1/2018	6/8/2026	7,500	7,442	7,350	
					36,113	35,819	35,390	3.27 %
Wolfpack IP Co.**								
Software	First lien (2)	8.90% (L + 6.50%/M)	6/14/2019	6/13/2025	9,091	9,001	9,000	0.83 %
Total Funded Debt Investments - Canada					\$ 45,204	\$ 44,820	\$ 44,390	4.10 %
Funded Debt Investments - United Kingdom								
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (2)	9.92% (L + 7.50%/M)	9/25/2017	10/3/2025	\$ 37,853	\$ 37,659	\$ 37,664	
	Second lien (8)	9.92% (L + 7.50%/M)	9/25/2017	10/3/2025	6,000	5,969	5,970	
					43,853	43,628	43,634	4.04 %
Air Newco LLC**								
Software	First lien (2)	7.16% (L + 4.75%/M)	5/25/2018	5/31/2024	20,024	19,982	20,024	1.85 %
Total Funded Debt Investments - United Kingdom					\$ 63,877	\$ 63,610	\$ 63,658	5.89 %
Funded Debt Investments - United States								
Benevis Holding Corp.								
Healthcare Services	First lien (2)(9)	8.90% (L + 6.32%/Q)	3/15/2018	3/15/2024	\$ 63,051	\$ 63,051	\$ 63,051	
	First lien (8)(9)	8.90% (L + 6.32%/Q)	3/15/2018	3/15/2024	15,470	15,470	15,470	
	First lien (3)(9)(10) - Drawn	8.91% (L + 6.32%/Q)	3/29/2019	3/15/2024	626	626	626	
					79,147	79,147	79,147	7.32 %
Integro Parent Inc.								
Business Services	First lien (2)(9)	8.24% (L + 5.75%/Q)	10/9/2015	10/31/2022	50,981	50,723	50,980	
	Second lien (8)(9)	11.76% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,936	10,000	
					60,981	60,659	60,980	5.64 %
Kronos Incorporated								
Software	Second lien (2)	10.83% (L + 8.25%/Q)	10/26/2012	11/1/2024	46,000	45,587	47,629	
	Second lien (8)	10.83% (L + 8.25%/Q)	10/26/2012	11/1/2024	11,147	11,147	11,541	
					57,147	56,734	59,170	5.47 %
Nomad Buyer, Inc.								
Healthcare Services	First lien (2)	7.41% (L + 5.00%/M)	8/3/2018	8/1/2025	58,730	56,975	58,436	5.41 %
PhyNet Dermatology LLC								
Healthcare Services	First lien (2)(9)	7.90% (L + 5.50%/M)	9/17/2018	8/16/2024	50,624	50,173	50,117	
	First lien (3)(9)(10) - Drawn	7.90% (L + 5.50%/M)	9/17/2018	8/16/2024	6,970	6,937	6,935	
					57,594	57,110	57,052	5.28 %
CentralSquare Technologies, LLC								
Software	Second lien (3)	9.90% (L + 7.50%/M)	8/15/2018	8/31/2026	47,839	47,268	47,360	
	Second lien (8)	9.90% (L + 7.50%/M)	8/15/2018	8/31/2026	7,500	7,411	7,425	
					55,339	54,679	54,785	5.07 %
Dealer Tire, LLC								
Distribution & Logistics	First lien (2)	7.87% (L + 5.50%/M)	12/4/2018	12/12/2025	53,649	52,386	53,716	4.97 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
 June 30, 2019
 (in thousands, except shares)
 (unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Salient CRGT Inc.								
Federal Services	First lien (2)	8.40% (L + 6.00%/M)	1/6/2015	2/28/2022	\$ 39,873	\$ 39,550	\$ 38,279	
	First lien (8)	8.40% (L + 6.00%/M)	6/6/2019	2/28/2022	13,625	13,080	13,080	
					<u>53,498</u>	<u>52,630</u>	<u>51,359</u>	4.75 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)	8.33% (L + 6.00%/Q)	2/9/2018	2/9/2024	38,541	38,385	38,541	
	First lien (2)(9)(10) - Drawn	8.33% (L + 6.00%/Q)	2/9/2018	2/9/2024	10,712	10,665	10,712	
					<u>49,253</u>	<u>49,050</u>	<u>49,253</u>	4.56 %
Associations, Inc.								
Business Services	First lien (2)(9)	9.60% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	36,439	36,243	36,211	
	First lien (8)(9)	9.60% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	5,038	5,010	5,006	
	First lien (3)(9)(10) - Drawn	9.59% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	5,943	5,910	5,906	
					<u>47,420</u>	<u>47,163</u>	<u>47,123</u>	4.36 %
Brave Parent Holdings, Inc.								
Software	Second lien (5)	10.08% (L + 7.50%/Q)	4/17/2018	4/17/2026	22,500	22,399	22,416	
	Second lien (2)	10.08% (L + 7.50%/Q)	4/17/2018	4/17/2026	16,624	16,471	16,562	
	Second lien (8)	10.08% (L + 7.50%/Q)	4/17/2018	4/17/2026	6,000	5,945	5,978	
					<u>45,124</u>	<u>44,815</u>	<u>44,956</u>	4.16 %
Quest Software US Holdings Inc.								
Software	Second lien (2)	10.83% (L + 8.25%/Q)	5/17/2018	5/18/2026	43,697	43,300	43,005	3.98 %
Frontline Technologies Group Holdings, LLC								
Education	First lien (4)(9)	8.83% (L + 6.50%/Q)	9/18/2017	9/18/2023	22,273	22,148	22,273	
	First lien (2)(9)	8.83% (L + 6.50%/Q)	9/18/2017	9/18/2023	16,499	16,404	16,499	
	First lien (3)(9)(10) - Drawn	8.83% (L + 6.50%/Q)	9/18/2017	9/18/2023	1,717	1,705	1,717	
					<u>40,489</u>	<u>40,257</u>	<u>40,489</u>	3.75 %
Symplr Software Intermediate Holdings, Inc. (23)								
Symplr Software, Inc. (fka Caliper Software, Inc.)								
Healthcare Information Technology	First lien (2)(9)	8.33% (L + 6.00%/Q)	11/30/2018	11/28/2025	25,690	25,504	25,497	
	First lien (4)(9)	8.33% (L + 6.00%/Q)	11/30/2018	11/28/2025	14,925	14,820	14,813	
					<u>40,615</u>	<u>40,324</u>	<u>40,310</u>	3.73 %
iCIMS, Inc.								
Software	First lien (8)(9)	8.90% (L + 6.50%/M)	9/12/2018	9/12/2024	31,636	31,353	31,320	
	First lien (8)(9)	8.90% (L + 6.50%/M)	6/14/2019	9/12/2024	8,667	8,580	8,580	
					<u>40,303</u>	<u>39,933</u>	<u>39,900</u>	3.69 %
Tenawa Resource Holdings LLC (13)								
Tenawa Resource Management LLC								
Energy	First lien (3)(9)	10.90% (Base + 8.50%/Q)	5/12/2014	10/30/2024	39,300	39,246	39,300	3.64 %
Trader Interactive, LLC								
Business Services	First lien (2)(9)	8.90% (L + 6.50%/M)	6/15/2017	6/17/2024	32,095	31,924	32,095	
	First lien (8)(9)	8.90% (L + 6.50%/M)	6/15/2017	6/17/2024	4,975	4,948	4,975	
					<u>37,070</u>	<u>36,872</u>	<u>37,070</u>	3.43 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien (2)	7.66% (L + 5.25%/M)	4/25/2017	4/29/2024	37,096	36,957	36,864	3.41 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
 June 30, 2019
 (in thousands, except shares)
 (unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
TDG Group Holding Company								
Consumer Services	First lien (2)(9)	7.83% (L + 5.50%/Q)	5/22/2018	5/31/2024	\$ 24,986	\$ 24,880	\$ 24,986	
	First lien (8)(9)	7.83% (L + 5.50%/Q)	5/22/2018	5/31/2024	4,975	4,954	4,975	
	First lien (2)(9)	7.83% (L + 5.50%/Q)	5/22/2018	5/31/2024	3,337	3,323	3,337	
	First lien (3)(9)(10) - Drawn	7.94% (L + 5.50%/Q)	5/22/2018	5/31/2024	1,387	1,380	1,387	
					<u>34,685</u>	<u>34,537</u>	<u>34,685</u>	3.21 %
Geo Parent Corporation								
Business Services	First lien (2)	7.83% (L + 5.50%/Q)	12/13/2018	12/19/2025	33,494	33,336	33,452	3.09 %
Apptio, Inc.								
Software	First lien (8)(9)	9.67% (L + 7.25%/M)	1/10/2019	1/10/2025	34,076	33,426	33,394	3.09 %
Finalsite Holdings, Inc.								
Software	First lien (4)(9)	8.09% (L + 5.50%/Q)	9/28/2018	9/25/2024	22,331	22,181	22,164	
	First lien (2)(9)	8.09% (L + 5.50%/Q)	9/28/2018	9/25/2024	11,030	10,955	10,947	
					<u>33,361</u>	<u>33,136</u>	<u>33,111</u>	3.06 %
Idera, Inc.								
Software	Second lien (4)	11.41% (L + 9.00%/M)	6/27/2019	6/28/2027	22,500	22,331	22,331	
	Second lien (2)	11.41% (L + 9.00%/M)	6/27/2019	6/28/2027	9,500	9,429	9,429	
					<u>32,000</u>	<u>31,760</u>	<u>31,760</u>	2.94 %
Ansira Holdings, Inc.								
Business Services	First lien (8)	8.15% (L + 5.75%/M)	12/19/2016	12/20/2022	28,600	28,511	27,170	
	First lien (3)(10) - Drawn	8.16% (L + 5.75%/M)	12/19/2016	12/20/2022	4,767	4,757	4,529	
					<u>33,367</u>	<u>33,268</u>	<u>31,699</u>	2.93 %
Navicare, Inc.								
Healthcare Services	Second lien (2)	9.90% (L + 7.50%/M)	10/23/2017	10/31/2025	25,970	25,910	25,710	
	Second lien (8)	9.90% (L + 7.50%/M)	10/23/2017	10/31/2025	6,000	5,986	5,940	
					<u>31,970</u>	<u>31,896</u>	<u>31,650</u>	2.93 %
Keystone Acquisition Corp.								
Healthcare Services	First lien (2)	7.58% (L + 5.25%/Q)	5/10/2017	5/1/2024	24,607	24,483	24,084	
	Second lien (2)	11.58% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,463	4,399	
					<u>29,107</u>	<u>28,946</u>	<u>28,483</u>	2.64 %
Sovos Brands Intermediate, Inc.								
Food & Beverage	First lien (2)	7.20% (L + 5.00%/Q)	11/16/2018	11/20/2025	28,098	27,966	27,817	2.57 %
Confluent Health, LLC								
Healthcare Services	First lien (2)	7.40% (L + 5.00%/Q)	6/21/2019	6/24/2026	27,500	27,363	27,363	2.53 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (2)(9)	7.58% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,185	17,120	17,185	
	First lien (3)(9)(10) - Drawn	7.58% (L + 5.25%/Q)	12/20/2017	7/2/2021	5,572	5,530	5,572	
	First lien (2)(9)	7.58% (L + 5.25%/Q)	12/20/2017	7/2/2021	4,205	4,177	4,205	
	First lien (3)(9)(10) - Drawn	9.75% (P + 4.25%/Q)	7/2/2015	7/2/2021	342	338	342	
					<u>27,304</u>	<u>27,165</u>	<u>27,304</u>	2.53 %
Kaseya Traverse Inc.								
Software	First lien (8)(9)	8.94% (L + 5.50% + 1.00% PIK/M)*	5/9/2019	5/2/2025	27,432	27,163	27,157	2.51 %

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Conserve, LLC								
Business Services	First lien (2)(9)	7.58% (L + 5.25%/Q)	1/3/2019	11/29/2024	\$ 25,438	\$ 25,319	\$ 25,311	
	First lien (3)(9)(10) - Drawn	7.58% (L + 5.25%/Q)	1/3/2019	11/29/2024	1,074	1,069	1,069	
					<u>26,512</u>	<u>26,388</u>	<u>26,380</u>	2.44 %
EN Engineering, LLC								
Business Services	First lien (2)(9)	6.83% (L + 4.50%/Q)	7/30/2015	6/30/2021	23,226	23,128	23,226	
	First lien (2)(9)	6.83% (L + 4.50%/Q)	7/30/2015	6/30/2021	1,344	1,337	1,344	
					<u>24,570</u>	<u>24,465</u>	<u>24,570</u>	2.27 %
AAC Holding Corp.								
Education	First lien (2)(9)	10.69% (L + 8.25%/M)	9/30/2015	9/30/2022	24,754	24,650	23,509	2.17 %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(9)	7.16% (L + 4.75%/M)	8/4/2015	8/4/2022	17,325	17,237	17,325	
	First lien (4)(9)	7.16% (L + 4.75%/M)	6/16/2017	8/4/2022	4,508	4,493	4,508	
	First lien (2)(9)	7.16% (L + 4.75%/M)	9/25/2017	8/4/2022	1,144	1,140	1,144	
	First lien (4)(9)	7.16% (L + 4.75%/M)	9/25/2017	8/4/2022	503	501	503	
					<u>23,480</u>	<u>23,371</u>	<u>23,480</u>	2.17 %
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)								
Education	Second lien (2)	10.83% (L + 8.25%/Q)	7/26/2018	7/30/2026	22,533	22,458	22,477	2.08 %
CRCI Longhorn Holdings, Inc.								
Business Services	Second lien (3)	9.66% (L + 7.25%/M)	8/2/2018	8/10/2026	14,349	14,298	14,205	
	Second lien (8)	9.66% (L + 7.25%/M)	8/2/2018	8/10/2026	7,500	7,474	7,425	
					<u>21,849</u>	<u>21,772</u>	<u>21,630</u>	2.00 %
Avatar Topco, Inc. (22)								
EAB Global, Inc.								
Education	Second lien (3)	10.13% (L + 7.50%/Q)	11/17/2017	11/17/2025	13,950	13,771	13,811	
	Second lien (8)	10.13% (L + 7.50%/Q)	11/17/2017	11/17/2025	7,500	7,404	7,425	
					<u>21,450</u>	<u>21,175</u>	<u>21,236</u>	1.96 %
National Mentor Holdings, Inc. (aka Civitas Solutions, Inc.)								
Healthcare Services	Second lien (2)	10.91% (L + 8.50%/M)	2/5/2019	3/8/2027	21,051	20,589	20,999	1.94 %
Institutional Shareholder Services, Inc.								
Business Services	Second lien (3)	10.83% (L + 8.50%/Q)	3/5/2019	3/5/2027	20,372	20,074	20,321	1.88 %
Help/Systems Holdings, Inc.								
Software	Second lien (5)	10.08% (L + 7.75%/Q)	3/23/2018	3/27/2026	20,231	20,141	20,155	1.86 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (2)	9.83% (L + 7.50%/Q)	5/18/2017	6/2/2025	12,000	11,903	11,835	
	Second lien (8)	9.83% (L + 7.50%/Q)	5/18/2017	6/2/2025	7,500	7,439	7,397	
					<u>19,500</u>	<u>19,342</u>	<u>19,232</u>	1.78 %
Xactly Corporation								
Software	First lien (4)(9)	9.66% (L + 7.25%/M)	7/31/2017	7/29/2022	19,047	18,904	19,047	1.76 %
Integral Ad Science, Inc.								
Software	First lien (8)(9)	9.66% (L + 6.00% + 1.25% PIK/M)*	7/19/2018	7/19/2024	18,794	18,632	18,606	1.72 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)(9)	9.75% (L + 7.25%/Q)	9/29/2016	9/8/2022	18,450	18,326	18,450	1.71 %
The Kleinfelder Group, Inc.								
Business Services	First lien (4)(9)	7.12% (L + 4.75%/W)	12/18/2018	11/29/2024	17,413	17,332	17,325	1.60 %
Navex Topco, Inc.								

Software	Second lien (2)	9.41% (L + 7.00%/M)	8/9/2018	9/4/2026	16,807	16,728	16,681	1.54 %
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TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	\$ 15,000	\$ 14,809	\$ 15,947	1.48 %
Hill International, Inc.**								
Business Services	First lien (2)(9)	8.08% (L + 5.75%/Q)	6/21/2017	6/21/2023	15,484	15,429	15,484	1.43 %
OEConnection LLC								
Business Services	Second lien (3)	10.41% (L + 8.00%/M)	11/22/2017	11/22/2025	7,660	7,569	7,583	
	Second lien (8)	10.41% (L + 8.00%/M)	11/22/2017	11/22/2025	7,500	7,411	7,425	
					<u>15,160</u>	<u>14,980</u>	<u>15,008</u>	1.39 %
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien (2)	9.90% (L + 7.50%/M)	4/18/2016	10/19/2023	15,000	14,750	15,000	1.39 %
Transcendia Holdings, Inc.								
Packaging	Second lien (8)(9)	10.40% (L + 8.00%/M)	6/28/2017	5/30/2025	14,500	14,337	14,109	1.31 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(9)	13.09% (L + 7.50% + 3.00% PIK/Q)*	8/25/2017	8/25/2023	13,280	13,196	12,647	
	First lien (3)(9)(10) - Drawn	13.07% (L + 7.50% + 3.00% PIK/Q)*	8/25/2017	8/25/2023	829	822	790	
					<u>14,109</u>	<u>14,018</u>	<u>13,437</u>	1.24 %
Alegeus Technologies Holding Corp.								
Healthcare Services	First lien (8)(9)	8.84% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,383	13,376	1.24 %
Castle Management Borrower LLC								
Business Services	First lien (2)(9)	8.77% (L + 6.25%/Q)	5/31/2018	2/15/2024	13,282	13,226	13,282	1.23 %
Ministry Brands, LLC								
Software	First lien (2)	6.33% (L + 4.00%/Q)	12/7/2016	12/2/2022	2,947	2,938	2,947	
	First lien (3)(9)(10) - Drawn	7.33% (L + 5.00%/Q)	12/7/2016	12/2/2022	200	199	200	
	Second lien (8)(9)	11.58% (L + 9.25%/Q)	12/7/2016	6/2/2023	7,840	7,800	7,840	
	Second lien (3)(9)	11.58% (L + 9.25%/Q)	12/7/2016	6/2/2023	2,160	2,149	2,160	
					<u>13,147</u>	<u>13,086</u>	<u>13,147</u>	1.22 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(9)	8.68% (L + 6.00%/Q)	9/15/2017	9/15/2023	6,646	6,614	6,646	
	First lien (3)(9)	8.52% (L + 6.00%/Q)	9/15/2017	9/15/2023	5,250	5,217	5,250	
					<u>11,896</u>	<u>11,831</u>	<u>11,896</u>	1.10 %
CHA Holdings, Inc.								
Business Services	Second lien (4)	11.08% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,949	7,117	
	Second lien (3)	11.08% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,413	4,519	
					<u>11,465</u>	<u>11,362</u>	<u>11,636</u>	1.08 %
PPVA Black Elk (Equity) LLC								
Business Services	Subordinated (3)(9)	—	5/3/2013	—	14,500	14,500	11,362	1.05 %
NorthStar Financial Services Group, LLC								
Software	Second lien (5)	9.85% (L + 7.50%/Q)	5/23/2018	5/25/2026	10,607	10,583	10,501	0.97 %
Vectra Co.								
Business Products	Second lien (8)	9.65% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,752	10,438	0.97 %
Masergy Holdings, Inc.								
Business Services	Second lien (2)	9.83% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,455	10,342	0.96 %

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Amerijet Holdings, Inc.								
Distribution & Logistics	First lien (4)(9)	10.40% (L + 8.00%/M)	7/15/2016	7/15/2021	\$ 8,651	\$ 8,621	\$ 8,651	
	First lien (4)(9)	10.40% (L + 8.00%/M)	7/15/2016	7/15/2021	1,442	1,437	1,442	
					<u>10,093</u>	<u>10,058</u>	<u>10,093</u>	0.93 %
Quartz Holding Company								
Software	Second lien (3)	10.44% (L + 8.00%/M)	4/2/2019	4/2/2027	10,000	9,804	10,050	0.93 %
VT Topco, Inc.								
Business Services	Second lien (4)	9.33% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,977	10,037	0.93 %
Stats Intermediate Holdings, LLC								
Business Services	First lien (2)	7.62% (L + 5.25%/M)	5/22/2019	7/10/2026	10,000	9,875	9,825	0.91 %
Affordable Care Holding Corp.								
Healthcare Services	First lien (2)	7.23% (L + 4.75%/M)	3/18/2019	10/24/2022	9,948	9,763	9,700	0.90 %
AgKnowledge Holdings Company, Inc.								
Business Services	First Lien (4)	7.15% (L + 4.75%/M)	11/30/2018	7/23/2023	9,403	9,361	9,379	0.87 %
JAMF Holdings, Inc.								
Software	First lien (8)(9)	9.53% (L + 7.00%/Q)	11/13/2017	11/11/2022	8,757	8,694	8,757	
	First lien (3)(9)(10) - Drawn	9.41% (L + 7.00%/M)	11/13/2017	11/11/2022	500	495	500	
					<u>9,257</u>	<u>9,189</u>	<u>9,257</u>	0.86 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	7.90% (L + 5.50%/M)	2/22/2017	8/16/2022	9,239	9,052	9,170	0.85 %
Wrike, Inc.								
Software	First lien (8)(9)	9.16% (L + 6.75%/M)	12/31/2018	12/31/2024	9,067	8,982	8,976	0.83 %
Alert Holding Company, Inc. (14)								
Appriss Holdings, Inc.								
Business Services	First lien (8)	7.83% (L + 5.50%/Q)	5/24/2019	5/29/2026	8,000	7,921	7,880	0.73 %
Zywave, Inc.								
Software	Second lien (4)(9)	11.59% (L + 9.00%/Q)	11/22/2016	11/17/2023	6,980	6,943	6,980	
	First lien (3)(9)(10) - Drawn	7.39% (L + 5.00%/Q)	11/22/2016	11/17/2022	670	665	670	
					<u>7,650</u>	<u>7,608</u>	<u>7,650</u>	0.71 %
J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	10.90% (L + 8.50%/M)	6/9/2016	9/7/2024	7,583	7,513	7,507	0.69 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (2)	9.90% (L + 7.50%/M)	8/16/2017	9/15/2025	7,000	6,941	7,035	0.65 %
Restaurant Technologies, Inc.								
Business Services	Second lien (4)	8.90% (L + 6.50%/M)	9/24/2018	10/1/2026	6,722	6,706	6,747	0.62 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	9.15% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,703	6,615	0.61 %
DealerSocket, Inc.								
Software	First lien (2)	7.15% (L + 4.75%/M)	4/16/2018	4/26/2023	6,644	6,604	6,577	0.61 %
DG Investment Intermediate Holdings 2, Inc. (aka Convergent Technologies Holdings, LLC)								
Business Services	Second lien (3)	9.15% (L + 6.75%/M)	1/29/2018	2/2/2026	6,732	6,703	6,564	0.61 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	7.35% (L + 4.75%/Q)	1/3/2017	1/5/2024	6,344	6,299	6,344	0.59 %

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Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	\$ 5,000	\$ 4,829	\$ 5,431	0.50 %
ADG, LLC								
Healthcare Services	Second lien (3)(9)	12.20% (L + 10.00%/S)	10/3/2016	3/28/2024	5,087	5,033	4,794	0.44 %
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,483	0.23 %
Ensemble S Merger Sub, Inc.								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,957	2,073	0.19 %
Diligent Corporation								
Software	First lien (3)(9)(10) - Drawn	8.35% (L + 5.50%/S)	12/19/2018	4/14/2022	2,077	2,065	2,064	0.19 %
TMK Hawk Parent, Corp.								
Distribution & Logistics	First lien (3)	5.70% (L + 3.50%/Q)	6/24/2019	8/28/2024	1,995	1,666	1,666	0.15 %
Education Management Corporation (12)								
Education Management II LLC								
Education	First Lien (2)	11.00% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	211	205	7	
	First Lien (3)	11.00% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	119	116	4	
	First Lien (2)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	300	292	1	
	First Lien (3)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	169	165	—	
	First Lien (2)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	170	141	—	
	First Lien (2)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	5	4	—	
	First Lien (3)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	96	79	—	
	First Lien (3)	14.00% (P + 8.50%/M)(24)	1/5/2015	7/2/2020	3	2	—	
					1,073	1,004	12	0.00 %
PPVA Fund, L.P.								
Business Services	Collateralized Financing (25)	—	11/7/2014	—	—	—	—	— %
Total Funded Debt Investments - United States					\$ 1,975,187	\$ 1,958,660	\$ 1,957,782	181.12 %
Total Funded Debt Investments					\$ 2,084,268	\$ 2,067,090	\$ 2,065,830	191.11 %
Equity - Hong Kong								
Bach Special Limited (Bach Preference Limited) **								
Education	Preferred shares (3)(9) (21)	—	9/1/2017	—	70,712	\$ 6,991	\$ 7,071	0.65 %
Total Shares - Hong Kong					\$ 6,991	\$ 7,071	0.65 %	
Equity - United States								
Avatar Topco, Inc.								
Education	Preferred shares (3)(9) (22)	—	11/17/2017	—	35,750	\$ 43,125	\$ 43,362	4.01 %
Tenawa Resource Holdings LLC (13)								
QID NGL LLC	Preferred shares (6)(9)	—	10/30/2017	—	1,623,385	1,624	2,989	
Energy	Ordinary shares (6)(9)	—	5/12/2014	—	5,290,997	5,291	9,256	
						6,915	12,245	1.13 %

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Symplr Software Intermediate Holdings, Inc. (23)								
Healthcare Information Technology	Preferred Shares (4)(9)	—	11/30/2018	—	7,500	\$ 7,979	\$ 7,970	
	Preferred Shares (3)(9)	—	11/30/2018	—	2,586	2,751	2,748	
						10,730	10,718	0.99 %
Alert Holding Company, Inc. (14)								
Alert Intermediate Holdings I, Inc.								
Business Services	Preferred shares (3)(9)	—	5/31/2019	—	5,000	4,977	4,976	0.47 %
Education Management Corporation(12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	—	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	—	
						469	—	— %
Total Shares - United States						\$ 66,216	\$ 71,301	6.60 %
Total Shares						\$ 73,207	\$ 78,372	7.25 %
Warrants - United States								
ASP LCG Holdings, Inc.								
Education	Warrants (3)(9)	—	5/5/2014	5/5/2026	622	\$ 37	\$ 827	0.08 %
Total Warrants - United States						\$ 37	\$ 827	0.08 %
Total Funded Investments						\$ 2,140,334	\$ 2,145,029	198.44 %
Unfunded Debt Investments - Canada								
Wolfpack IP Co.**								
Software	First lien (3)(10) - Undrawn	—	6/14/2019	6/13/2025	\$ 909	\$ (9)	\$ (9)	(0.00)%
Total Unfunded Debt Investments - Canada						\$ 909	\$ (9)	(0.00)%
Unfunded Debt Investments - United States								
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	4/16/2019	4/16/2021	\$ 20,426	\$ —	\$ —	
	First lien (3)(9)(10) - Undrawn	—	12/20/2017	12/20/2019	3,645	(32)	—	
	First lien (3)(9)(10) - Undrawn	—	7/2/2015	7/2/2021	1,758	(18)	—	
					25,829	(50)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(9)(10) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %
Ministry Brands, LLC								
Software	First lien (3)(9)(10) - Undrawn	—	12/7/2016	12/2/2022	800	(4)	—	— %
Zywave, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/22/2016	11/17/2022	1,330	(10)	—	— %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Benevis Holding Corp.								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	3/29/2019	4/17/2020	\$ 7,195	\$ —	\$ —	—%
Trader Interactive, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13)	—	—%
Xactly Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	7/31/2017	7/29/2022	992	(10)	—	—%
Integro Parent Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/8/2018	10/30/2021	6,743	(34)	—	—%
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	—	—%
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(9)(10) - Undrawn	—	9/18/2017	9/18/2019	6,016	(45)	—	—%
JAMF Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/13/2017	11/11/2022	250	(2)	—	—%
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)(10) - Undrawn	—	2/9/2018	2/9/2020	771	(2)	—	—%
TDG Group Holding Company								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	5/22/2018	5/31/2024	3,657	(18)	—	—%
AgKnowledge Holdings Company, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	11/30/2018	7/23/2023	526	(3)	(1)	(0.00)%
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	8/25/2017	8/25/2023	52	—	(2)	(0.00)%
DealerSocket, Inc.								
Software	First lien (3)(10) - Undrawn	—	4/16/2018	4/26/2023	560	(4)	(6)	(0.00)%
Wrike, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	12/31/2018	12/31/2024	933	(9)	(9)	(0.00)%
Alert Holding Company, Inc. (14)								
Appriss Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	5/24/2019	5/30/2025	930	(9)	(14)	(0.00)%
Integral Ad Science, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	7/19/2018	7/19/2023	1,429	(14)	(14)	(0.00)%
Finalsite Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/25/2018	9/25/2024	2,521	(19)	(19)	(0.00)%
iCIMS, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/12/2018	9/12/2024	1,977	(20)	(20)	(0.00)%

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Conservice, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	1/3/2019	11/29/2024	\$ 1,360	\$ (7)	\$ (7)	
	First lien (3)(9)(10) - Undrawn	—	1/3/2019	6/30/2020	5,641	—	(27)	
					<u>7,001</u>	<u>(7)</u>	<u>(34)</u>	(0.00)%
Associations, Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2021	4,300	(27)	(27)	
	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2024	2,033	(13)	(13)	
					<u>6,333</u>	<u>(40)</u>	<u>(40)</u>	(0.00)%
Apptio, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	1/10/2019	1/10/2025	2,066	(41)	(41)	(0.01)%
Kaseya Traverse Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	5/9/2019	5/3/2021	3,302	—	(33)	
	First lien (3)(9)(10) - Undrawn	—	5/9/2019	5/2/2025	2,312	(23)	(23)	
					<u>5,614</u>	<u>(23)</u>	<u>(56)</u>	(0.01)%
Diligent Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	12/19/2018	12/19/2020	11,349	(71)	(71)	(0.01)%
Ansira Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	12/19/2016	4/16/2020	2,437	(10)	(122)	(0.01)%
PhyNet Dermatology LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/17/2018	8/16/2020	38,335	(192)	(192)	(0.02)%
Salient CRGT Inc.								
Federal Services	First lien (3)(10) - Undrawn	—	6/26/2018	11/29/2021	6,125	(490)	(245)	(0.02)%
Total Unfunded Debt Investments - United States					\$ 146,182	\$ (1,167)	\$ (886)	(0.08)%
Total Unfunded Debt Investments					\$ 147,091	\$ (1,176)	\$ (895)	(0.08)%
Total Non-Controlled/Non-Affiliated Investments						\$ 2,139,158	\$ 2,144,134	198.36 %
Non-Controlled/Affiliated Investments (26)								
Funded Debt Investments - United States								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)	14.94% (L + 7.50% + 5.00% PIK/M)*	6/14/2018	6/30/2022	\$ 10,309	\$ 10,309	\$ 10,309	
	First lien (3)(9)(10) - Drawn	8.91% (L + 6.50%/M)	6/14/2018	6/30/2022	17,750	17,750	17,750	
	Subordinated (3)(9)	18.00% PIK/Q*	12/26/2018	6/30/2022	2,633	2,633	2,633	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,467	2,467	2,100	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,271	1,271	1,082	
					<u>34,430</u>	<u>34,430</u>	<u>33,874</u>	3.13 %
Total Funded Debt Investments - United States					\$ 34,430	\$ 34,430	\$ 33,874	3.13 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Equity - United States								
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3)(9)	—	6/13/2014	—	—	\$ 23,000	\$ 23,000	2.13 %
Sierra Hamilton Holdings Corporation								
Energy	Ordinary shares (2)(9)	—	7/31/2017	—	25,000,000	11,501	9,897	
	Ordinary shares (3)(9)	—	7/31/2017	—	2,786,000	1,281	1,103	
						12,782	11,000	1.02 %
Permian Holdco 1, Inc.								
Energy	Preferred shares (3)(9) (16)	—	10/31/2016	—	1,873,737	8,503	8,450	
	Ordinary shares (3)(9)	—	10/31/2016	—	1,366,452	1,350	268	
						9,853	8,718	0.81 %
Total Shares - United States						\$ 45,635	\$ 42,718	3.96 %
Total Funded Investments						\$ 80,065	\$ 76,592	7.09 %
Unfunded Debt Investments - United States								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Undrawn	—	6/14/2018	6/30/2022	\$ 2,250	\$ —	\$ —	— %
Total Unfunded Debt Investments - United States						\$ 2,250	\$ —	— %
Total Non-Controlled/Affiliated Investments						\$ 80,065	\$ 76,592	7.09 %
Controlled Investments (27)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	First lien (2)	11.08% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	\$ 10,000	\$ 8,770	\$ 8,500	
	Second lien (3)(9)	7.00% PIK/Q*	2/23/2018	12/9/2021	11,581	11,060	11,581	
	Second lien (3)(9)(10) - Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	7,708	7,708	7,708	
	Subordinated (3)(9)	8.50% PIK/Q*	6/9/2015	12/9/2021	5,102	5,099	5,102	
	Subordinated (2)(9)	10.00% PIK/Q*	6/9/2015	12/9/2021	19,468	19,468	17,100	
	Subordinated (3)(9)	10.00% PIK/Q*	6/9/2015	12/9/2021	4,789	4,789	4,206	
					58,648	56,894	54,197	5.01 %
NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	15,562	11,835	11,283	
	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	8,600	7,674	7,525	
					24,162	19,509	18,808	1.74 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
UniTek Global Services, Inc.								
Business Services	First lien (2)(9)	7.83% (L + 5.50%/Q)	6/29/2018	8/20/2024	\$ 12,478	\$ 12,478	\$ 12,478	
	First lien (2)(9)	7.83% (L + 5.50%/Q)	6/29/2018	8/20/2024	2,496	2,496	2,496	
					14,974	14,974	14,974	1.39 %
Total Funded Debt Investments - United States					\$ 97,784	\$ 91,377	\$ 87,979	8.14 %
Equity - Canada								
NM APP Canada Corp.**								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	\$ 7,345	\$ 9,949	0.92 %
Total Shares - Canada					\$ 7,345	\$ 9,949	\$ 9,949	0.92 %
Equity - United States								
NMFC Senior Loan Program III LLC**								
Investment Fund	Membership interest (3)(9)	—	5/4/2018	—	—	\$ 80,000	\$ 80,000	7.40 %
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3)(9)	—	5/3/2016	—	—	79,400	79,400	7.35 %
UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(9) (17)	—	1/13/2015	—	26,546,931	24,167	23,852	
	Preferred shares (3)(9) (17)	—	1/13/2015	—	7,336,309	6,679	6,592	
	Preferred shares (3)(9) (18)	—	6/30/2017	—	14,351,499	14,351	14,304	
	Preferred shares (3)(9) (19)	—	8/17/2018	—	7,795,276	7,795	7,795	
	Ordinary shares (2)(9)	—	1/13/2015	—	2,096,477	1,925	5,003	
	Ordinary shares (3)(9)	—	1/13/2015	—	1,993,749	532	4,758	
						55,449	62,304	5.76 %
NM NL Holdings, L.P.**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	32,578	34,294	3.17 %
NM GLCR LP								
Net Lease	Membership interest (7)(9)	—	2/1/2018	—	—	14,750	20,918	1.94 %
NM CLFX LP								
Net Lease	Membership interest (7)(9)	—	10/6/2017	—	—	12,538	12,725	1.18 %
NM APP US LLC								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	5,080	6,101	0.56 %
NM DRVT LLC								
Net Lease	Membership interest (7)(9)	—	11/18/2016	—	—	5,152	5,704	0.53 %
NM KRLN LLC								
Net Lease	Membership interest (7)(9)	—	11/15/2016	—	—	7,510	4,386	0.40 %
NHME Holdings Corp.(20)								
Healthcare Services	Ordinary Shares (3)(9)	—	11/27/2018	—	640,000	4,000	4,000	0.37 %
NM JRA LLC								
Net Lease	Membership interest (7)(9)	—	8/12/2016	—	—	2,043	3,500	0.32 %

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Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Edmentum Ultimate Holdings, LLC(15)								
Education	Ordinary shares (3)(9)	—	6/9/2015	—	123,968	\$ 11	\$ 884	
	Ordinary shares (2)(9)	—	6/9/2015	—	107,143	9	764	
						20	1,648	0.15 %
NM GP Holdco, LLC**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	306	317	0.03 %
Total Shares - United States						\$ 298,826	\$ 315,297	29.16 %
Total Shares						\$ 306,171	\$ 325,246	30.08 %
Warrants - United States								
Edmentum Ultimate Holdings, LLC(15)								
Education	Warrants (3)(9)	—	2/23/2018	5/5/2026	1,141,846	\$ 769	\$ 8,145	0.75 %
NHME Holdings Corp.(20)								
Healthcare Services	Warrants (3)(9)	—	11/27/2018	—	160,000	1,000	1,000	0.09 %
Total Warrants - United States						\$ 1,769	\$ 9,145	0.84 %
Total Controlled Investments						\$ 399,317	\$ 422,370	39.07 %
Total Investments						\$ 2,618,540	\$ 2,643,096	244.52 %

- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Bank, National Association as the Administrative Agent, and Collateral Custodian. See Note 7. *Borrowings*, for details.
- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in New Mountain Finance SBIC II, L.P.
- (6) Investment is held in NMF QID NGL Holdings, Inc.
- (7) Investment is held in New Mountain Net Lease Corporation.
- (8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent. See Note 7. *Borrowings*, for details.
- (9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (10) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net of the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets daily (D), weekly (W), monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of June 30, 2019.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in two related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (14) The Company holds investments in two wholly-owned subsidiaries of Alert Holding Company, Inc. The Company holds a first lien term loan and a first lien revolver in Appriss Holdings, Inc. and preferred equity in Alert Intermediate Holdings I, Inc. The preferred equity is entitled to receive preferential dividends at a rate of L + 10.0% per annum.

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- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes, ordinary equity, and warrants in Edmentum Ultimate Holdings, LLC and holds a first lien term loan, second lien revolver and a second lien term loan in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (17) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.
- (20) The Company holds ordinary shares and warrants in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.
- (21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (22) The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (23) The Company holds preferred equity in Symplr Intermediate Holdings, Inc. and holds a first lien term loan investment in Symplr Software Inc, Inc. (fka Caliper Software, Inc.), a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity is entitled to receive preferential dividends at a rate of L + 10.50% per annum.
- (24) Investment or a portion of the investment is on non-accrual status. See Note 3. Investments, for details.
- (25) The Company holds one security purchased under a collateralized agreement to resell on its Consolidated Statement of Assets and Liabilities with a cost basis of \$30,000 and a fair value of \$23,508 as of June 30, 2019. See Note 2. *Summary of Significant Accounting Policies*, for details.
- (26) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of June 30, 2019 and December 31, 2018, along with transactions during the six months ended June 30, 2019 in which the issuer was a non-controlled/affiliated investment, is as follows:

Portfolio Company	Fair Value at December 31, 2018	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at June 30, 2019	Interest Income	Dividend Income	Other Income
NMFC Senior Loan Program I LLC	\$ 23,000	\$ —	\$ —	\$ —	\$ —	\$ 23,000	\$ —	\$ 1,538	\$ 574
Permian Holdco 1, Inc. / Permian Holdco 2, Inc. / Permian Holdco 3, Inc.	41,966	1,677	(50)	—	(1,001)	42,592	2,037	592	18
Sierra Hamilton Holdings Corporation	12,527	—	—	—	(1,527)	11,000	—	—	—
Total Non-Controlled/Affiliated Investments	\$ 77,493	\$ 1,677	\$ (50)	\$ —	\$ (2,528)	\$ 76,592	\$ 2,037	\$ 2,130	\$ 592

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

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

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(27) Denotes investments in which the Company is in “Control”, as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of June 30, 2019 and December 31, 2018, along with transactions during the six months ended June 30, 2019 in which the issuer was a controlled investment, is as follows:

Portfolio Company	Fair Value at December 31, 2018	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at June 30, 2019	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 45,011	\$ 9,508	\$ (67)	\$ 8	\$ 9,538	\$ 63,990	\$ 2,757	\$ —	\$ 4
National HME, Inc./NHME Holdings Corp.	22,722	1,678	—	—	(592)	23,808	1,678	—	—
NM APP CANADA CORP	9,727	—	—	—	222	9,949	—	450	—
NM APP US LLC	5,912	—	—	—	189	6,101	—	263	—
NM CLFX LP	12,770	—	—	—	(45)	12,725	—	785	—
NM DRVT LLC	5,619	—	—	—	85	5,704	—	287	—
NM JRA LLC	2,537	—	—	—	963	3,500	—	125	—
NM GLCR LP	20,343	—	—	—	575	20,918	—	874	—
NM KRLN LLC	4,205	—	—	—	181	4,386	—	420	—
NM NL Holdings, L.P.	33,392	—	—	—	902	34,294	—	1,628	—
NM GP Holdco, LLC	311	—	—	—	6	317	—	15	—
NMFC Senior Loan Program II LLC	79,400	—	—	—	—	79,400	—	5,955	—
NMFC Senior Loan Program III LLC	78,400	1,600	—	—	—	80,000	—	4,920	—
UniTek Global Services, Inc.	82,788	4,172	(75)	—	(9,607)	77,278	612	4,173	338
Total Controlled Investments	\$ 403,137	\$ 16,958	\$ (142)	\$ 8	\$ 2,417	\$ 422,370	\$ 5,047	\$ 19,895	\$ 342

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

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

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of June 30, 2019, 12.81% of the Company’s total assets are represented by investments at fair value that are considered non-qualifying assets.

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

New Mountain Finance Corporation
Consolidated Schedule of Investments (Continued)
June 30, 2019
(unaudited)

Investment Type	June 30, 2019 Percent of Total Investments at Fair Value
First lien	52.76%
Second lien	27.35%
Subordinated	2.63%
Equity and other	17.26%
Total investments	100.00%

Industry Type	June 30, 2019 Percent of Total Investments at Fair Value
Business Services	23.75%
Software	22.42%
Healthcare Services	16.84%
Education	8.44%
Investment Fund (includes investments in joint ventures)	6.90%
Energy	3.98%
Net Lease	3.70%
Federal Services	3.33%
Distribution & Logistics	3.20%
Consumer Services	2.96%
Healthcare Information Technology	2.50%
Food & Beverage	1.06%
Packaging	0.53%
Business Products	0.39%
Total investments	100.00%

Interest Rate Type	June 30, 2019 Percent of Total Investments at Fair Value
Floating rates	93.35%
Fixed rates	6.65%
Total investments	100.00%

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

New Mountain Finance Corporation

Consolidated Schedule of Investments

December 31, 2018

(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien (3)	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	\$ 12,130	\$ 12,032	\$ 11,948	
	Second lien (8)	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	7,500	7,439	7,388	
	Second lien (3)(10) - Drawn	10.02% (L + 7.50%/M)	6/1/2018	6/8/2026	2,797	2,772	2,754	
					<u>22,427</u>	<u>22,243</u>	<u>22,090</u>	<u>2.20 %</u>
Total Funded Debt Investments - Canada					\$ 22,427	\$ 22,243	\$ 22,090	2.20 %
Funded Debt Investments - United Kingdom								
Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.**								
Consumer Services	Second lien (2)	10.09% (L + 7.50%/Q)	9/25/2017	10/3/2025	\$ 37,853	\$ 37,648	\$ 36,150	
	Second lien (8)	10.09% (L + 7.50%/Q)	9/25/2017	10/3/2025	6,000	5,968	5,730	
					<u>43,853</u>	<u>43,616</u>	<u>41,880</u>	<u>4.16 %</u>
Air Newco LLC**								
Software	First lien (2)	7.14% (L + 4.75%/M)	5/25/2018	5/31/2024	20,125	20,079	19,987	1.99 %
Total Funded Debt Investments - United Kingdom					\$ 63,978	\$ 63,695	\$ 61,867	6.15 %
Funded Debt Investments - United States								
Benevis Holding Corp.								
Healthcare Services	First lien (2)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	\$ 63,370	\$ 63,370	\$ 62,261	
	First lien (8)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	8,578	8,578	8,428	
	First lien (3)(9)	8.86% (L + 6.32%/Q)	3/15/2018	3/15/2024	6,970	6,970	6,848	
					<u>78,918</u>	<u>78,918</u>	<u>77,537</u>	<u>7.71 %</u>
Integro Parent Inc.								
Business Services	First lien (2)(9)	8.48% (L + 5.75%/Q)	10/9/2015	10/31/2022	51,245	50,952	51,245	
	Second lien (8)(9)	11.97% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,930	10,000	
	First lien (3)(9)(10) - Drawn	7.23% (L + 4.50%/Q)	6/8/2018	10/30/2021	2,057	2,046	2,057	
					<u>63,302</u>	<u>62,928</u>	<u>63,302</u>	<u>6.29 %</u>
Kronos Incorporated								
Software	Second lien (2)	10.79% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,560	35,657	
	Second lien (3)	10.79% (L + 8.25%/Q)	10/26/2012	11/1/2024	21,147	21,145	20,945	
					<u>57,147</u>	<u>56,705</u>	<u>56,602</u>	<u>5.62 %</u>
CentralSquare Technologies, LLC								
Software	Second lien (3)	10.02% (L + 7.50%/M)	8/15/2018	8/31/2026	47,838	47,241	47,838	
	Second lien (8)	10.02% (L + 7.50%/M)	8/15/2018	8/31/2026	7,500	7,406	7,500	
					<u>55,338</u>	<u>54,647</u>	<u>55,338</u>	<u>5.50 %</u>
Dealer Tire, LLC								
Distribution & Logistics	First lien (2)	8.02% (L + 5.50%/M)	12/4/2018	12/12/2025	53,784	52,444	51,296	5.10 %
PhyNet Dermatology LLC								
Healthcare Services	First lien (2)(9)	8.02% (L + 5.50%/M)	9/17/2018	8/16/2024	50,879	50,391	50,371	5.01 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)	8.80% (L + 6.00%/Q)	2/9/2018	2/9/2024	38,735	38,565	38,542	
	First lien (2)(9)(10) - Drawn	8.80% (L + 6.00%/Q)	2/9/2018	2/9/2024	10,766	10,715	10,739	
					<u>49,501</u>	<u>49,280</u>	<u>49,281</u>	<u>4.90 %</u>
Nomad Buyer, Inc.								

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

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Healthcare Services	First lien (2)	7.38% (L + 5.00%/M)	8/3/2018	8/1/2025	\$ 48,953	\$ 47,538	\$ 46,383	4.61 %
Brave Parent Holdings, Inc.								
Software	Second lien (5)	10.02% (L + 7.50%/M)	4/17/2018	4/17/2026	22,500	22,394	22,416	
	Second lien (2)	10.02% (L + 7.50%/M)	7/18/2018	4/17/2026	16,624	16,464	16,562	
	Second lien (8)	10.02% (L + 7.50%/M)	7/18/2018	4/17/2026	6,000	5,942	5,978	
					45,124	44,800	44,956	4.47 %
Associations, Inc.								
Consumer Services	First lien (2)(9)	9.40% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	40,855	40,613	40,599	
	First lien (3)(9)(10) - Drawn	9.40% (L + 4.00% + 3.00% PIK/Q)*	7/30/2018	7/30/2024	3,625	3,603	3,602	
					44,480	44,216	44,201	4.39 %
Quest Software US Holdings Inc.								
Software	Second lien (2)	10.78% (L + 8.25%/Q)	5/17/2018	5/18/2026	43,697	43,281	43,224	4.30 %
Tenawa Resource Holdings LLC (13)								
Tenawa Resource Management LLC								
Energy	First lien (3)(9)	10.90% (Base + 8.50%/Q)	5/12/2014	10/30/2024	39,500	39,442	39,500	3.93 %
Frontline Technologies Group Holdings, LLC								
Education	First lien (4)(9)	9.02% (L + 6.50%/M)	9/18/2017	9/18/2023	22,387	22,248	22,387	
	First lien (2)(9)	9.02% (L + 6.50%/M)	9/18/2017	9/18/2023	16,582	16,480	16,582	
					38,969	38,728	38,969	3.87 %
Salient CRGT Inc.								
Federal Services	First lien (2)	8.27% (L + 5.75%/M)	1/6/2015	2/28/2022	38,275	37,928	37,701	3.75 %
Trader Interactive, LLC								
Business Services	First lien (2)(9)	9.02% (L + 6.50%/M)	6/15/2017	6/17/2024	37,259	37,044	37,259	3.70 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien (2)	8.06% (L + 5.25%/Q)	4/25/2017	4/29/2024	37,285	37,134	36,353	3.61 %
TDG Group Holding Company								
Consumer Services	First lien (2)(9)	8.30% (L + 5.50%/Q)	5/22/2018	5/31/2024	30,112	29,974	29,962	
	First lien (2)(9)	8.30% (L + 5.50%/Q)	5/22/2018	5/31/2024	3,354	3,338	3,337	
	First lien (3)(9)(10) - Drawn	8.02% (L + 5.50%/M)	5/22/2018	5/31/2024	1,261	1,255	1,255	
					34,727	34,567	34,554	3.43 %
Geo Parent Corporation								
Business Services	First lien (2)	8.09% (L + 5.50%/M)	12/13/2018	12/19/2025	33,578	33,410	33,410	3.32 %
Finalsite Holdings, Inc.								
Software	First lien (4)(9)	8.03% (L + 5.50%/Q)	9/28/2018	9/25/2024	22,444	22,281	22,275	
	First lien (2)(9)	8.03% (L + 5.50%/Q)	9/28/2018	9/25/2024	11,085	11,005	11,002	
					33,529	33,286	33,277	3.31 %
Navicore, Inc.								
Healthcare Services	Second lien (2)	10.02% (L + 7.50%/M)	10/23/2017	10/31/2025	25,970	25,907	25,580	
	Second lien (8)	10.02% (L + 7.50%/M)	10/23/2017	10/31/2025	6,000	5,985	5,910	
					31,970	31,892	31,490	3.13 %
iCIMS, Inc.								
Software	First lien (8)(9)	8.94% (L + 6.50%/M)	9/12/2018	9/12/2024	31,636	31,332	31,320	3.11 %

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

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Ansira Holdings, Inc.								
Business Services	First lien (2)	8.27% (L + 5.75%/M)	12/19/2016	12/20/2022	\$ 28,744	\$ 28,645	\$ 28,615	
	First lien (3)(10) - Drawn	8.27% (L + 5.75%/M)	12/19/2016	12/20/2022	1,791	1,784	1,782	
					<u>30,535</u>	<u>30,429</u>	<u>30,397</u>	3.02 %
Keystone Acquisition Corp.								
Healthcare Services	First lien (2)	8.05% (L + 5.25%/Q)	5/10/2017	5/1/2024	24,732	24,597	24,238	
	Second lien (2)	12.05% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,461	4,444	
					<u>29,232</u>	<u>29,058</u>	<u>28,682</u>	2.85 %
Sovos Brands Intermediate, Inc.								
Food & Beverage	First lien (2)	7.64% (L + 5.00%/M)	11/16/2018	11/20/2025	28,240	28,099	27,957	2.78 %
EN Engineering, LLC								
Business Services	First lien (2)(9)	7.02% (L + 4.50%/M)	7/30/2015	6/30/2021	23,347	23,226	23,347	
	First lien (2)(9)	7.02% (L + 4.50%/M)	7/30/2015	6/30/2021	1,350	1,343	1,350	
					<u>24,697</u>	<u>24,569</u>	<u>24,697</u>	2.45 %
SW Holdings, LLC								
Business Services	Second lien (4)(9)	11.55% (L + 8.75%/Q)	6/30/2015	12/30/2021	18,161	18,052	18,161	
	Second lien (3)(9)	11.55% (L + 8.75%/Q)	4/16/2018	12/30/2021	6,181	6,130	6,181	
					<u>24,342</u>	<u>24,182</u>	<u>24,342</u>	2.42 %
DCA Investment Holding, LLC								
Healthcare Services	First lien (2)(9)	8.05% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,274	17,194	17,274	
	First lien (3)(9)(10) - Drawn	7.98% (L + 5.25%/Q)	12/20/2017	7/2/2021	6,702	6,647	6,702	
	First lien (3)(9)(10) - Drawn	9.75% (P + 4.25%/Q)	7/2/2015	7/2/2021	144	142	144	
					<u>24,120</u>	<u>23,983</u>	<u>24,120</u>	2.40 %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (4)(9)	7.28% (L + 4.75%/M)	8/4/2015	8/4/2022	17,415	17,314	17,415	
	First lien (4)(9)	7.28% (L + 4.75%/M)	6/16/2017	8/4/2022	4,531	4,514	4,531	
	First lien (2)(9)	7.28% (L + 4.75%/M)	9/25/2017	8/4/2022	1,149	1,145	1,149	
	First lien (4)(9)	7.28% (L + 4.75%/M)	9/25/2017	8/4/2022	506	504	506	
					<u>23,601</u>	<u>23,477</u>	<u>23,601</u>	2.35 %
CRCI Longhorn Holdings, Inc.								
Business Services	Second lien (3)	9.64% (L + 7.25%/M)	8/2/2018	8/10/2026	14,349	14,296	14,295	
	Second lien (8)	9.64% (L + 7.25%/M)	8/2/2018	8/10/2026	7,500	7,473	7,472	
					<u>21,849</u>	<u>21,769</u>	<u>21,767</u>	2.16 %
AAC Holding Corp.								
Education	First lien (2)(9)	10.60% (L + 8.25%/M)	9/30/2015	9/30/2020	22,403	22,269	21,578	2.14 %
Avatar Topco, Inc. (22)								
EAB Global, Inc.								
Education	Second lien (3)	10.16% (L + 7.50%/Q)	11/17/2017	11/17/2025	13,950	13,762	13,811	
	Second lien (8)	10.16% (L + 7.50%/Q)	11/17/2017	11/17/2025	7,500	7,399	7,425	
					<u>21,450</u>	<u>21,161</u>	<u>21,236</u>	2.11 %
Help/Systems Holdings, Inc.								
Software	Second lien (5)	10.27% (L + 7.75%/M)	3/23/2018	3/27/2026	20,231	20,136	20,029	1.99 %
Symplr Software Intermediate Holdings, Inc. (23)								
Caliper Software, Inc.								
Healthcare Information Technology	First lien (4)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	15,000	14,888	14,888	
	First lien (2)(9)	8.02% (L + 5.50%/M)	11/30/2018	11/28/2025	5,171	5,133	5,132	
					<u>20,171</u>	<u>20,021</u>	<u>20,020</u>	1.99 %

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

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

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
SSH Group Holdings, Inc.								
Education	Second lien (2)	10.77% (L + 8.25%/Q)	7/26/2018	7/30/2026	\$ 20,116	\$ 20,019	\$ 19,960	1.98 %
DiversiTech Holdings, Inc.								
Distribution & Logistics	Second lien (3)	10.30% (L + 7.50%/Q)	5/18/2017	6/2/2025	12,000	11,897	11,580	
	Second lien (8)	10.30% (L + 7.50%/Q)	5/18/2017	6/2/2025	7,500	7,436	7,238	
					<u>19,500</u>	<u>19,333</u>	<u>18,818</u>	1.87 %
FR Arsenal Holdings II Corp.								
Business Services	First lien (2)(9)	10.06% (L + 7.25%/Q)	9/29/2016	9/8/2022	18,545	18,404	18,545	1.84 %
Integral Ad Science, Inc.								
Software	First lien (8)(9)	9.78% (L + 6.00% + 1.25% PIK/M)*	7/19/2018	7/19/2024	18,678	18,503	18,491	1.84 %
The Kleinfelder Group, Inc.								
Business Services	First lien (4)	7.17% (L + 4.75%/M)	12/18/2018	11/29/2024	17,500	17,413	17,413	1.73 %
Navex Topco, Inc.								
Software	Second lien (2)	9.53% (L + 7.00%/M)	8/9/2018	9/4/2026	16,807	16,725	16,218	1.61 %
TIBCO Software Inc.								
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,776	15,750	1.57 %
Hill International, Inc.**								
Business Services	First lien (2)(9)	8.55% (L + 5.75%/Q)	6/21/2017	6/21/2023	15,563	15,502	15,563	1.55 %
QC McKissock Investment, LLC (14)								
McKissock, LLC								
Education	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	6,351	6,330	6,351	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/24/2018	8/5/2021	3,649	3,616	3,649	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	3,028	3,019	3,028	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/6/2014	8/5/2021	977	974	977	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	8/3/2018	8/5/2021	842	835	842	
	First lien (2)(9)	8.55% (L + 5.75%/Q)	5/23/2018	8/5/2021	572	564	572	
					<u>15,419</u>	<u>15,338</u>	<u>15,419</u>	1.53 %
OEConnection LLC								
Business Services	Second lien (3)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,660	7,564	7,602	
	Second lien (8)	10.53% (L + 8.00%/M)	11/22/2017	11/22/2025	7,500	7,407	7,443	
					<u>15,160</u>	<u>14,971</u>	<u>15,045</u>	1.49 %
Netsmart Inc. / Netsmart Technologies, Inc.								
Healthcare Information Technology	Second lien (2)	10.03% (L + 7.50%/Q)	4/18/2016	10/19/2023	15,000	14,727	14,925	1.48 %
Xactly Corporation								
Software	First lien (4)(9)	9.78% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,577	14,690	1.46 %
Transcendia Holdings, Inc.								
Packaging	Second lien (8)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	7,500	7,411	7,385	
	Second lien (3)	10.52% (L + 8.00%/M)	6/28/2017	5/30/2025	7,000	6,917	6,893	
					<u>14,500</u>	<u>14,328</u>	<u>14,278</u>	1.42 %
Alegus Technologies Holdings Corp.								
Healthcare Services	First lien (2)(9)	8.66% (L + 6.25%/Q)	9/5/2018	9/5/2024	13,444	13,378	13,376	1.33 %
NorthStar Financial Services Group, LLC								
Software	Second lien (5)	10.10% (L + 7.50%/M)	5/23/2018	5/25/2026	13,450	13,418	13,316	1.32 %
Project Accelerate Parent, LLC								
Business Services	Second lien (8)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	7,500	7,414	7,406	
	Second lien (3)(9)	10.89% (L + 8.50%/M)	1/2/2018	1/2/2026	5,973	5,905	5,898	
					<u>13,473</u>	<u>13,319</u>	<u>13,304</u>	1.32 %

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Castle Management Borrower LLC								
Business Services	First lien (2)(9)	8.87% (L + 6.25%/Q)	5/31/2018	2/15/2024	\$ 13,347	\$ 13,286	\$ 13,281	1.32 %
Ministry Brands, LLC								
Software	First lien (2)	6.52% (L + 4.00%/M)	12/7/2016	12/2/2022	2,962	2,952	2,962	
	Second lien (8)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,796	7,840	
	Second lien (3)(9)	11.77% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,148	2,160	
					<u>12,962</u>	<u>12,896</u>	<u>12,962</u>	1.29 %
BackOffice Associates Holdings, LLC								
Business Services	First lien (2)(9)	13.03% (L + 10.50%/M)	8/25/2017	8/25/2023	13,262	13,169	12,477	
	First lien (3)(9)(10) - Drawn	13.03% (L + 7.50% + 3.00% PIK/M)*	8/25/2017	8/25/2023	17	17	16	
					<u>13,279</u>	<u>13,186</u>	<u>12,493</u>	1.24 %
Zywave, Inc.								
Software	Second lien (4)(9)	11.65% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,936	11,000	
	First lien (3)(9)(10) - Drawn	7.52% (L + 5.00%/M)	11/22/2016	11/17/2022	1,200	1,191	1,200	
					<u>12,200</u>	<u>12,127</u>	<u>12,200</u>	1.21 %
CHA Holdings, Inc.								
Business Services	Second lien (4)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	7,012	6,946	7,103	
	Second lien (3)	11.55% (L + 8.75%/Q)	4/3/2018	4/10/2026	4,453	4,411	4,511	
					<u>11,465</u>	<u>11,357</u>	<u>11,614</u>	1.15 %
PPVA Black Elk (Equity) LLC								
Business Services	Subordinated (3)(9)	—	5/3/2013	—	14,500	14,500	11,362	1.13 %
Amerjet Holdings, Inc.								
Distribution & Logistics	First lien (4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	8,972	8,935	8,972	
	First lien (4)(9)	10.52% (L + 8.00%/M)	7/15/2016	7/15/2021	1,495	1,489	1,495	
					<u>10,467</u>	<u>10,424</u>	<u>10,467</u>	1.04 %
Vectra Co.								
Business Products	Second lien (8)	9.77% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,751	10,465	1.04 %
Masergy Holdings, Inc.								
Business Services	Second lien (2)	10.31% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,452	10,290	1.02 %
VT Topco, Inc.								
Business Services	Second lien (4)	9.80% (L + 7.00%/Q)	8/14/2018	7/31/2026	10,000	9,976	9,987	0.99 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(9)	8.57% (L + 6.00%/S)	9/15/2017	9/15/2023	4,344	4,308	4,344	
	First lien (3)(9)(10) - Drawn	8.61% (L + 6.00%/S)	9/15/2017	9/15/2023	5,277	5,240	5,277	
					<u>9,621</u>	<u>9,548</u>	<u>9,621</u>	0.96 %
AgKnowledge Holdings Company, Inc.								
Business Services	First Lien (4)	7.27% (L + 4.75%/Q)	11/30/2018	7/23/2023	9,450	9,403	9,426	0.94 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	8.02% (L + 5.50%/M)	2/22/2017	8/16/2022	9,488	9,269	9,179	0.91 %
Wrike, Inc.								
Software	First lien (8)	9.28% (L + 6.75%/M)	12/31/2018	12/31/2024	9,067	8,976	8,976	0.89 %
JAMF Holdings, Inc.								
Software	First lien (8)(9)	10.61% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,686	8,757	0.87 %
Idera, Inc.								
Software	Second lien (4)	11.53% (L + 9.00%/M)	6/27/2017	6/27/2025	8,000	7,895	8,020	0.80 %

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J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	11.02% (L + 8.50%/M)	6/9/2016	9/7/2024	\$ 7,583	\$ 7,508	\$ 7,508	0.75 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	9.27% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,701	6,631	0.66 %
DealerSocket, Inc.								
Software	First lien (2)	7.27% (L + 4.75%/M)	4/16/2018	4/26/2023	6,678	6,633	6,597	0.66 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (2)	10.00% (L + 7.50%/M)	8/16/2017	9/15/2025	7,000	6,938	6,545	0.65 %
Restaurant Technologies, Inc.								
Business Services	Second lien (4)	8.90% (L + 6.50%/Q)	9/24/2018	10/1/2026	6,722	6,705	6,520	0.65 %
DG Investment Intermediate Holdings 2, Inc. (aka Convergint Technologies Holdings, LLC)								
Business Services	Second lien (3)	9.27% (L + 6.75%/M)	1/29/2018	2/2/2026	6,732	6,702	6,429	0.64 %
First American Payment Systems, L.P.								
Business Services	First lien (2)	7.29% (L + 4.75%/Q)	1/3/2017	1/5/2024	6,391	6,342	6,359	0.63 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,816	5,350	0.53 %
ADG, LLC								
Healthcare Services	Second lien (3)(9)	11.88% (L + 9.00%/S)	10/3/2016	3/28/2024	5,000	4,942	4,578	0.45 %
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,100	0.20 %
Ensemble S Merger Sub, Inc.								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,953	2,010	0.20 %
Education Management Corporation (12)								
Education Management II LLC	First Lien (2)	11.00% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	211	205	15	
Education	First Lien (3)	11.00% (P + 5.50%/Q) (24)	1/5/2015	7/2/2020	119	116	8	
	First Lien (2)	14.00% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	475	437	19	
	First Lien (3)	14.00% (P + 8.50%/Q) (24)	1/5/2015	7/2/2020	268	246	11	
					1,073	1,004	53	0.01 %
PPVA Fund, L.P.								
Business Services	Collateralized Financing (25)	—	11/7/2014	—	—	—	—	— %
Total Funded Debt Investments - United States					\$ 1,733,369	\$ 1,719,771	\$ 1,709,641	169.89 %
Total Funded Debt Investments					\$ 1,819,774	\$ 1,805,709	\$ 1,793,598	178.24 %
Equity - Hong Kong								
Bach Special Limited (Bach Preference Limited) **								
Education	Preferred shares (3)(9) (21)	—	9/1/2017	—	66,528	\$ 6,573	\$ 6,653	0.66 %
Total Shares - Hong Kong					\$ 6,573	\$ 6,653	\$ 6,653	0.66 %
Equity - United States								
Avatar Topco, Inc.								
Education	Preferred shares (3)(9) (22)	—	11/17/2017	—	35,750	\$ 40,247	\$ 39,890	3.96 %

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Tenawa Resource Holdings LLC (13)								
QID NGL LLC	Preferred shares (6)(9)	—	10/30/2017	—	1,623,385	\$ 1,623	\$ 2,717	
Energy	Ordinary shares (6)(9)	—	5/12/2014	—	5,290,997	5,291	8,412	
						6,914	11,129	1.11 %
Symplr Software Intermediate Holdings, Inc.								
Healthcare Information Technology	Preferred Shares (4)(9) (23)	—	11/30/2018	—	7,500	7,470	7,469	
	Preferred Shares (3)(9) (23)	—	11/30/2018	—	2,586	2,575	2,575	
						10,045	10,044	1.00 %
Education Management Corporation (12)								
Education	Preferred shares (2)	—	1/5/2015	—	3,331	200	—	
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—	
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	—	
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	—	
						469	—	— %
Total Shares - United States						\$ 57,675	\$ 61,063	6.07 %
Total Shares						\$ 64,248	\$ 67,716	6.73 %
Warrants - United States								
ASP LCG Holdings, Inc.								
Education	Warrants (3)(9)	—	5/5/2014	5/5/2026	622	\$ 37	\$ 664	0.07 %
Total Warrants - United States						\$ 37	\$ 664	0.07 %
Total Funded Investments						\$ 1,869,994	\$ 1,861,978	185.04 %
Unfunded Debt Investments - Canada								
Dentalcorp Perfect Smile ULC**								
Healthcare Services	Second lien (3)(10) - Undrawn	—	6/1/2018	6/6/2020	\$ 2,110	\$ 2	\$ (32)	(0.00)%
Total Unfunded Debt Investments - Canada						\$ 2,110	\$ 2	(0.00)%
Unfunded Debt Investments - United States								
DCA Investment Holding, LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	12/20/2017	12/20/2019	\$ 6,755	\$ (59)	\$ —	
	First lien (3)(9)(10) - Undrawn	—	7/2/2015	7/2/2021	1,956	(20)	—	
					8,711	(79)	—	— %
iPipeline, Inc. (Internet Pipeline, Inc.)								
Software	First lien (3)(9)(10) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10)	—	— %
Ministry Brands, LLC								
Software	First lien (3)(10) - Undrawn	—	12/7/2016	12/2/2022	1,000	(5)	—	— %
Zywave, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/22/2016	11/17/2022	800	(6)	—	— %

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Trader Interactive, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/15/2017	6/15/2023	\$ 1,673	\$ (13)	\$ —	— %
Xactly Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	7/31/2017	7/29/2022	992	(10)	—	— %
Integro Parent Inc.								
Business Services	First lien (3)(9)(10) - Undrawn	—	6/8/2018	10/30/2021	4,686	(23)	—	— %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2019	6,307	(16)	—	— %
	First lien (3)(9)(10) - Undrawn	—	9/15/2017	3/15/2023	1,738	(17)	—	— %
					<u>8,045</u>	<u>(33)</u>	<u>—</u>	<u>— %</u>
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(9)(10) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	—	— %
JAMF Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	11/13/2017	11/11/2022	750	(8)	—	— %
AgKnowledge Holdings Company, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	11/30/2018	7/21/2023	526	(3)	(1)	(0.00)%
NM GRC Holdco, LLC								
Business Services	First lien (2)(9)(10) - Undrawn	—	2/9/2018	2/9/2020	771	(2)	(2)	(0.00)%
DealerSocket, Inc.								
Software	First lien (3)(10) - Undrawn	—	4/16/2018	4/26/2023	560	(4)	(7)	(0.00)%
Wrike, Inc.								
Software	First lien (3)(10) - Undrawn	—	12/31/2018	12/31/2024	933	(9)	(9)	(0.00)%
Integral Ad Science, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	7/19/2018	7/19/2023	1,429	(14)	(14)	(0.00)%
Finalsite Holdings, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/25/2018	9/25/2024	2,521	(19)	(19)	(0.00)%
TDG Group Holding Company								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	5/22/2018	5/31/2024	3,783	(19)	(19)	(0.00)%
iCIMS, Inc.								
Software	First lien (3)(9)(10) - Undrawn	—	9/12/2018	9/12/2024	1,977	(20)	(20)	(0.00)%
Ansira Holdings, Inc.								
Business Services	First lien (3)(10) - Undrawn	—	12/19/2016	4/16/2020	5,433	(14)	(24)	(0.00)%
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(9)(10) - Undrawn	—	8/25/2017	8/25/2023	862	(7)	(51)	(0.01)%

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Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Associations, Inc.								
Consumer Services	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2021	\$ 6,557	\$ (41)	\$ (41)	
	First lien (3)(9)(10) - Undrawn	—	7/30/2018	7/30/2024	2,033	(13)	(13)	
					8,590	(54)	(54)	(0.01)%
Diligent Corporation								
Software	First lien (3)(9)(10) - Undrawn	—	12/19/2018	12/19/2020	13,431	(84)	(84)	(0.01)%
Salient CRGT Inc.								
Federal Services	First lien (3)(10) - Undrawn	—	6/26/2018	11/29/2021	6,125	(490)	(92)	(0.01)%
PhyNet Dermatology LLC								
Healthcare Services	First lien (3)(9)(10) - Undrawn	—	9/17/2018	8/16/2020	45,305	(227)	(227)	(0.02)%
Total Unfunded Debt Investments - United States					\$ 127,641	\$ (1,211)	\$ (623)	(0.06)%
Total Unfunded Debt Investments					\$ 129,751	\$ (1,209)	\$ (655)	(0.06)%
Total Non-Controlled/Non-Affiliated Investments						\$ 1,868,785	\$ 1,861,323	184.98 %
Non-Controlled/Affiliated Investments(26)								
Funded Debt Investments - United States								
Permian Holdco 1, Inc.								
Permian Holdco 2, Inc.								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Drawn	8.87% (L + 6.50%/M)	6/14/2018	6/30/2022	\$ 17,750	\$ 17,750	\$ 17,750	
	First lien (3)(9)	14.85% (L + 7.50% + 5.00% PIK/Q)*	6/14/2018	6/30/2022	10,101	10,101	10,101	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	2,303	2,303	2,187	
	Subordinated (3)(9)	18.00% PIK/Q*	12/26/2018	6/30/2022	2,054	2,054	2,054	
	Subordinated (3)(9)	14.00% PIK/Q*	10/31/2016	10/15/2021	1,186	1,186	1,127	
					33,394	33,394	33,219	3.30 %
Total Funded Debt Investments - United States					\$ 33,394	\$ 33,394	\$ 33,219	3.30 %
Equity - United States								
NMFC Senior Loan Program I LLC**								
Investment Fund	Membership interest (3)(9)	—	6/13/2014	—	—	\$ 23,000	\$ 23,000	2.29 %
Sierra Hamilton Holdings Corporation								
Energy	Ordinary shares (2)(9)	—	7/31/2017	—	25,000,000	11,501	11,271	
	Ordinary shares (3)(9)	—	7/31/2017	—	2,786,000	1,281	1,256	
						12,782	12,527	1.24 %
Permian Holdco 1, Inc.								
Energy	Preferred shares (3)(9) (16)	—	10/31/2016	—	1,766,177	7,912	8,257	
	Ordinary shares (3)(9)	—	10/31/2016	—	1,366,452	1,350	490	
						9,262	8,747	0.87 %
Total Shares - United States					\$ 45,044	\$ 44,274	\$ 44,274	4.40 %
Total Funded Investments					\$ 78,438	\$ 77,493	\$ 77,493	7.70 %

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Unfunded Debt Investments - United States								
Permian Holdco 3, Inc.								
Energy	First lien (3)(9)(10) - Undrawn	—	6/14/2018	6/30/2022	\$ 2,250	\$ —	\$ —	—%
Total Unfunded Debt Investments - United States					\$ 2,250	\$ —	\$ —	—%
Total Non-Controlled/Affiliated Investments						\$ 78,438	\$ 77,493	7.70 %
Controlled Investments(27)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	First lien (2)	11.03% (L + 4.50% + 4.00% PIK/Q)*	8/6/2018	6/9/2021	\$ 8,490	\$ 7,245	\$ 7,004	
	Second lien (3)(9)	7.00% PIK/Q*	2/23/2018	12/9/2021	11,184	10,569	10,346	
	Second lien (3)(9)(10) - Drawn	5.00% PIK/Q*	6/9/2015	12/9/2021	1,671	1,671	1,671	
	Subordinated (3)(9)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,891	4,889	4,891	
	Subordinated (2)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	18,525	18,525	14,820	
	Subordinated (3)(9)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,557	4,557	3,646	
					49,318	47,456	42,378	4.21 %
NHME Holdings Corp. (20)								
National HME, Inc.								
Healthcare Services	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	14,664	10,718	10,631	
	Second lien (3)(9)	12.00% PIK/Q*	11/27/2018	5/27/2024	8,104	7,115	7,091	
					22,768	17,833	17,722	1.76 %
UniTek Global Services, Inc.								
Business Services	First lien (2)(9)	8.02% (L + 5.50%/M)	6/29/2018	8/20/2024	12,542	12,542	12,542	
	First lien (2)(9)	7.96% (L + 5.50%/M)	6/29/2018	8/20/2024	2,508	2,508	2,508	
					15,050	15,050	15,050	1.50 %
Total Funded Debt Investments - United States					\$ 87,136	\$ 80,339	\$ 75,150	7.47 %
Equity - Canada								
NM APP Canada Corp.**								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	\$ 7,345	\$ 9,727	0.97 %
Total Shares - Canada						\$ 7,345	\$ 9,727	0.97 %
Equity - United States								
NMFC Senior Loan Program II LLC**								
Investment Fund	Membership interest (3)(9)	—	5/3/2016	—	—	\$ 79,400	\$ 79,400	7.89 %
NMFC Senior Loan Program III LLC**								
Investment Fund	Membership interest (3)(9)	—	5/4/2018	—	—	78,400	78,400	7.79 %

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UniTek Global Services, Inc.								
Business Services	Preferred shares (2)(9) (17)	—	1/13/2015	—	24,841,813	\$ 22,462	\$ 22,012	
	Preferred shares (3)(9) (17)	—	1/13/2015	—	6,865,095	6,207	6,083	
	Preferred shares (3)(9) (18)	—	6/30/2017	—	13,079,442	13,079	13,036	
	Preferred shares (3)(9) (19)	—	8/17/2018	—	7,070,545	7,071	7,071	
	Ordinary shares (2)(9)	—	1/13/2015	—	2,096,477	1,925	10,013	
	Ordinary shares (3)(9)	—	1/13/2015	—	1,993,749	532	9,523	
						<u>51,276</u>	<u>67,738</u>	6.73 %
NM NL Holdings, L.P.**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	32,575	33,392	3.32 %
NM GLCR LLC								
Net Lease	Membership interest (7)(9)	—	2/1/2018	—	—	14,750	20,343	2.02 %
NM CLFX LP								
Net Lease	Membership interest (7)(9)	—	10/6/2017	—	—	12,538	12,770	1.27 %
NM APP US LLC								
Net Lease	Membership interest (7)(9)	—	9/13/2016	—	—	5,080	5,912	0.59 %
NM DRVT LLC								
Net Lease	Membership interest (7)(9)	—	11/18/2016	—	—	5,152	5,619	0.56 %
NM KRLN LLC								
Net Lease	Membership interest (7)(9)	—	11/15/2016	—	—	7,510	4,205	0.42 %
NHME Holdings Corp. (20)								
Healthcare Services	Ordinary Shares (3)(9)	—	11/27/2018	—	640,000	4,000	4,000	0.40 %
NM JRA LLC								
Net Lease	Membership interest (7)(9)	—	8/12/2016	—	—	2,043	2,537	0.25 %
Edmentum Ultimate Holdings, LLC (15)								
Education	Ordinary shares (3)(9)	—	6/9/2015	—	123,968	11	238	
	Ordinary shares (2)(9)	—	6/9/2015	—	107,143	9	205	
						<u>20</u>	<u>443</u>	0.04 %
NM GP Holdco, LLC**								
Net Lease	Membership interest (7)(9)	—	6/20/2018	—	—	306	311	0.03 %
Total Shares - United States						\$ 293,050	\$ 315,070	31.31 %
Total Shares						\$ 300,395	\$ 324,797	32.28 %
Warrants - United States								
Edmentum Ultimate Holdings, LLC (15)								
Education	Warrants (3)(9)	—	2/23/2018	5/5/2026	1,141,846	\$ 769	\$ 2,190	0.22 %
NHME Holdings Corp. (20)								
Healthcare Services	Warrants (3)(9)	—	11/27/2018	—	160,000	1,000	1,000	0.10 %
Total Warrants - United States						\$ 1,769	\$ 3,190	0.32 %
Total Funded Investments						\$ 382,503	\$ 403,137	40.07 %

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2018
(in thousands, except shares)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate (11)	Acquisition Date	Maturity/Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Unfunded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (15)								
Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.)								
Education	Second lien (3)(9)(10) - Undrawn	—	6/9/2015	12/9/2021	\$ 5,945	\$ —	\$ —	—%
Total Unfunded Debt Investments - United States					\$ 5,945	\$ —	\$ —	—%
Total Controlled Investments						\$ 382,503	\$ 403,137	40.07 %
Total Investments						\$ 2,329,726	\$ 2,341,953	232.75 %

- (1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company, as the Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian. See Note 7. *Borrowings*, for details.
- (3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. *Borrowings*, for details.
- (4) Investment is held in New Mountain Finance SBIC, L.P.
- (5) Investment is held in New Mountain Finance SBIC II, L.P.
- (6) Investment is held in NMF QID NGL Holdings, Inc.
- (7) Investment is held in New Mountain Net Lease Corporation.
- (8) Investment is pledged as collateral for the DB Credit Facility, a revolving credit facility among New Mountain Finance DB, L.L.C as the Borrower and Deutsche Bank AG, New York Branch as the Facility Agent. See Note 7. *Borrowings*, for details.
- (9) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. *Fair Value*, for details.
- (10) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net of the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (11) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2018.
- (12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds first lien term loans and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes, ordinary equity and warrants in Edmentum Ultimate Holdings, LLC and holds a first lien term loan, second lien revolver and a second lien term loan in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2018
(in thousands, except shares)

- (17) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to received cumulative preferential dividends at a rate of 20.0% per annum payable in additional shares.
- (20) The Company holds ordinary shares and warrants in NHME Holdings Corp., as well as second lien term loans in National HME, Inc., a wholly-owned subsidiary of NHME Holdings Corp.
- (21) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (22) The Company holds preferred equity in Avatar Topco, Inc. and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (23) The Company holds preferred equity in Symplr Software Intermediate Holdings, Inc. and holds a first lien term loan investment in Caliper Software, Inc., a wholly-owned subsidiary of Symplr Software Intermediate Holdings, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 10.50% per annum.
- (24) Investment or a portion of the investment is on non-accrual status. See Note 3. Investments, for details.
- (25) The Company holds one security purchased under a collateralized agreement to resell on its Consolidated Statement of Assets and Liabilities with a cost basis of \$30,000 and a fair value of \$23,508 as of December 31, 2018. See Note 2. *Summary of Significant Accounting Policies*, for details.
- (26) Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of December 31, 2018 and December 31, 2017 along with transactions during the year ended December 31, 2018 in which the issuer was a non-controlled/affiliated investment is as follows:

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ 24,858	\$ —	\$ (24,858)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
HI Technology Corp.	105,155	—	(105,155)	8,387	—	—	—	14,791	—
NMFC Senior Loan Program I LLC	23,000	—	—	—	—	23,000	—	3,173	1,179
Permian Holdco 1, Inc. / Permian Holdco 2, Inc. / Permian Holdco 3, Inc.	12,733	31,824	(50)	—	(2,541)	41,966	2,028	1,083	653
Sierra Hamilton Holdings Corporation	12,330	—	—	—	197	12,527	—	—	—
Total Non-Controlled/Affiliated Investments	\$ 178,076	\$ 31,824	\$ (130,063)	\$ 8,387	\$ (2,344)	\$ 77,493	\$ 2,028	\$ 19,047	\$ 1,832

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

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

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

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)
December 31, 2018
(in thousands, except shares)

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

Portfolio Company	Fair Value at December 31, 2017	Gross Additions (A)	Gross Redemptions (B)	Net Realized Gains (Losses)	Net Change In Unrealized Appreciation (Depreciation)	Fair Value at December 31, 2018	Interest Income	Dividend Income	Other Income
Edmentum Ultimate Holdings, LLC/Edmentum Inc.	\$ —	\$ 51,478	\$ (6,937)	\$ 3	\$ 470	\$ 45,011	\$ 4,077	\$ —	\$ 424
National HME, Inc./NHME Holdings Corp.	—	22,832	—	—	(110)	22,722	306	—	—
NM APP CANADA CORP	7,962	—	—	—	1,765	9,727	—	841	—
NM APP US LLC	5,138	—	—	—	774	5,912	—	563	—
NM CLFX LP	12,538	—	—	—	232	12,770	—	1,507	—
NM DRVT LLC	5,385	—	—	—	234	5,619	—	519	—
NM JRA LLC	2,191	—	—	—	346	2,537	—	225	—
NM GLCR LLC	—	14,750	—	—	5,593	20,343	—	1,634	—
NM KRLN LLC	8,195	—	—	—	(3,990)	4,205	—	761	—
NM NL Holdings, L.P.	—	32,575	—	—	817	33,392	—	1,506	—
NM GP Holdco, LLC	—	306	—	—	5	311	—	11	—
NMFC Senior Loan Program II LLC	79,400	—	—	—	—	79,400	—	11,124	—
NMFC Senior Loan Program III LLC	—	78,400	—	—	—	78,400	—	3,040	—
UniTek Global Services, Inc.	64,593	28,696	(15,261)	—	4,760	82,788	1,843	6,648	1,312
Total Controlled Investments	\$ 185,402	\$ 229,037	\$ (22,198)	\$ 3	\$ 10,896	\$ 403,137	\$ 6,226	\$ 28,379	\$ 1,736

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

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

* All or a portion of interest contains PIK interest.

** Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2018, 13.5% of the Company’s total investments were non-qualifying assets.

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

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

	December 31, 2018
Investment Type	Percent of Total Investments at Fair Value
First lien	50.
Second lien	28.
Subordinated	2.
Equity and other	18.
Total investments	100.

	December 31, 2018
Industry Type	Percent of Total Investments at Fair Value
Business Services	23.67%
Software	20.41%
Healthcare Services	14.80%
Education	8.94%
Investment Fund (includes investments in joint ventures)	7.72%
Consumer Services	5.15%
Energy	4.49%
Net Lease	4.05%
Distribution & Logistics	3.44%
Federal Services	3.16%
Healthcare Information Technology	1.92%
Food & Beverage	1.19%
Packaging	0.61%
Business Products	0.45%
Total investments	100.00%

	December 31, 2018
Interest Rate Type	Percent of Total Investments at Fair Value
Floating rates	93.25%
Fixed rates	6.75%
Total investments	100.00%

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

**Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation**

June 30, 2019

(in thousands, except share data)

(unaudited)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation ("NMFC" or the "Company") is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering ("IPO") on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since NMFC's IPO, and through June 30, 2019, NMFC raised approximately \$673,878 in net proceeds from additional offerings of its common stock.

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

The Company has established the following wholly-owned direct and indirect subsidiaries:

- New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") and New Mountain Finance DB, L.L.C. ("NMFDB"), whose assets are used secure NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- New Mountain Finance SBIC, L.P. ("SBIC I") and New Mountain Finance SBIC II, L.P. ("SBIC II"), who have received licenses from the United States ("U.S.") Small Business Administration ("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, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP") and New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), respectively;
- New Mountain Net Lease Corporation ("NMNLC"), which acquires commercial real properties that are subject to "triple net" leases has elected to be treated, and intends to comply with the requirements 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 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); the Company consolidates 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.

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

investment criteria used by the Company. However, SBIC I and SBIC II investments must be in SBA eligible small businesses. The Company's portfolio may be concentrated in a limited number of industries. As of June 30, 2019, the Company's top five industry concentrations were business services, software, healthcare services, education and investment funds (which includes the Company's investments in its joint ventures).

Note 2. Summary of Significant Accounting Policies

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

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

The Company's interim consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X. Accordingly, the Company's interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2019.

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

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

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

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

- (3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:
- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
 - b. Preliminary valuation conclusions will then be documented and discussed with the Company’s senior management;
 - c. If an investment falls into (3) above for four consecutive quarters and if the investment’s par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Company’s board of directors; and
 - d. When deemed appropriate by the Company’s management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real estate properties that are subject to "triple net" leases. NMNLC’s investments are disclosed on the Company’s Consolidated Schedule of Investments as of June 30, 2019.

Below is certain summarized property information for NMNLC as of June 30, 2019:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of June 30, 2019
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	\$ 34,611
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	20,918
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,725
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	9,949
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	6,101
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,704
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	4,386
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	3,500
					\$ 97,894

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

of the transaction and included in interest income. As of June 30, 2019 and December 31, 2018, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a fair value of \$23,508 and \$23,508, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. The default by the private hedge fund did not release the collateral to the Company, and therefore, the Company does not have full rights and title to the collateral. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter. The joint official liquidators have recognized the Company's contractual rights under the collateralized agreement. The Company continues to exercise its rights under the collateralized agreement and continues to monitor the liquidation process of the private hedge fund. The fair value of the collateralized agreement to resell is reflective of the increased risk of the position.

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less. The Company did not hold any cash equivalents as of June 30, 2019 and December 31, 2018.

Revenue recognition

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

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three and six months ended June 30, 2019, the Company recognized PIK and non-cash interest from investments of \$3,170 and \$6,130, respectively, and PIK and non-cash dividends from investments of \$4,498 and \$8,808, respectively. For the three and six months ended June 30, 2018, the Company recognized PIK and non-cash interest from investments of \$1,938 and \$3,612, respectively, and PIK and non-cash dividends from investments of \$6,964 and \$13,751, 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. The Company may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received by the Company for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

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

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

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

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

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

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

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

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

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

For the three and six months ended June 30, 2019, the Company recognized a total income tax provision of approximately \$266 and \$173, respectively, for the Company's consolidated subsidiaries. For the three and six months ended June 30, 2018, the Company recorded current income tax (benefit) expense of approximately \$(4) and \$13, respectively, and deferred income tax provision of approximately \$270 and \$160, respectively. For the three and six months ended June 30, 2018, the Company recognized a total income tax provision of approximately \$1,111 and \$1,045, respectively, for the Company's consolidated subsidiaries. For the three and six months ended June 30, 2018, the Company recorded current income tax expense of approximately \$45 and \$61, respectively, and deferred income tax provision of approximately \$1,066 and \$984, respectively.

As of June 30, 2019 and December 31, 2018, the Company had \$1,166 and \$1,006, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold as defined by Accounting Standards Codification Topic 740 ("ASC 740") through December 31, 2018. The 2015 through 2018 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

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

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

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

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

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

Share repurchase program—On February 4, 2016, the Company’s board of directors authorized a program for the purpose of repurchasing up to \$50,000 worth of the Company’s common stock. Under the repurchase program, the Company was permitted, but was not obligated, to repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company’s code of ethics and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 31, 2018, the Company’s board of directors extended the Company’s repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2019 or until \$50,000 of its outstanding shares of common stock have been repurchased. During the three and six months ended June 30, 2019 and June 30, 2018, the Company did not repurchase any shares of the Company’s common stock. The Company previously repurchased \$2,948 of its common stock under the share repurchase program.

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

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

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

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

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

Note 3. Investments

At June 30, 2019, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$ 1,395,822	\$ 1,394,329
Second lien	721,077	722,940
Subordinated	74,822	69,519
Equity and other	426,819	456,308
Total investments	<u>\$ 2,618,540</u>	<u>\$ 2,643,096</u>

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	\$ 625,312	\$ 627,611
Software	587,916	592,694
Healthcare Services	445,025	444,991
Education	217,804	222,973
Investment Fund (includes investments in joint ventures)	182,400	182,400
Energy	103,226	105,137
Net Lease	87,302	97,894
Federal Services	89,097	87,978
Distribution & Logistics	83,452	84,707
Consumer Services	78,147	78,319
Healthcare Information Technology	65,804	66,028
Food & Beverage	27,966	27,817
Packaging	14,337	14,109
Business Products	10,752	10,438
Total investments	<u>\$ 2,618,540</u>	<u>\$ 2,643,096</u>

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

Investment Cost and Fair Value by Type

	Cost	Fair Value
First lien	\$ 1,179,129	\$ 1,173,459
Second lien	666,545	662,556
Subordinated	72,559	65,297
Equity and other	411,493	440,641
Total investments	\$ 2,329,726	\$ 2,341,953

Investment Cost and Fair Value by Industry

	Cost	Fair Value
Business Services	\$ 541,901	\$ 554,404
Software	476,473	478,063
Healthcare Services	350,357	346,521
Education	214,032	209,433
Investment Fund (includes investments in joint ventures)	180,800	180,800
Consumer Services	122,326	120,562
Energy	101,794	105,122
Net Lease	87,299	94,816
Distribution & Logistics	82,201	80,581
Federal Services	74,572	73,962
Healthcare Information Technology	44,793	44,989
Food & Beverage	28,099	27,957
Packaging	14,328	14,278
Business Products	10,751	10,465
Total investments	\$ 2,329,726	\$ 2,341,953

During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of June 30, 2019, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of \$1,004, an aggregate fair value of \$12 and total unearned interest income of \$42 and \$83, respectively, for the three and six months then ended.

As of June 30, 2019, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$45,924 and \$0, respectively. As of June 30, 2019, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$103,417. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of June 30, 2019.

As of December 31, 2018, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$43,539 and \$0, respectively. As of December 31, 2018, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$94,407. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2018.

PPVA Black Elk (Equity) LLC

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

In August 2017, a trustee (the "Trustee") for Black Elk informed the Company that the Trustee intended to assert a fraudulent conveyance claim (the "Claim") against the Company and one of its affiliates seeking the return of the \$20,540 repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015.

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The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund's obligation to the Company under the SPP Agreement. The Company was unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

On December 22, 2017, the Company settled the Trustee's \$20,540 Claim for \$16,000 and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16,000 that is owed to the Company under the SPP Agreement. The SPP Agreement was restored and is in effect since repayment has not been made. The Company continues to exercise its rights under the SPP Agreement and continues to monitor the liquidation process of the private hedge fund. As of June 30, 2019 and December 31, 2018, the SPP Agreement has a cost basis of \$14,500 and \$14,500, respectively, and a fair value of \$11,362 and \$11,362, respectively, which is reflective of the higher inherent risk in this transaction.

NMFC Senior Loan Program I LLC

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

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of June 30, 2019, SLP I had total investments with an aggregate fair value of approximately \$341,161, debt outstanding of \$233,367 and capital that had been called and funded of \$93,000. As of December 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$327,240, debt outstanding of \$242,567 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedule of Investments as of June 30, 2019 and December 31, 2018.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three and six months ended June 30, 2019, the Company earned approximately \$291 and \$574, respectively, in management fees related to SLP I, which is included in other income. For the three and six months ended June 30, 2018, the Company earned approximately \$301 and \$596, respectively, in management fees related to SLP I, which is included in other income. As of June 30, 2019 and December 31, 2018, approximately \$291 and \$288, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and six months ended June 30, 2019, the Company earned approximately \$812 and \$1,538, respectively, of dividend income related to SLP I, which is included in dividend income. For the three and six months ended June 30, 2018, the Company earned approximately \$791 and \$1,636, respectively, of dividend income related to SLP I, which is included in dividend income. As of June 30, 2019 and December 31, 2018, approximately \$812 and \$750, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between the Company and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from the Company and SkyKnight. SLP II's investment period is currently until April 12, 2020 and SLP II will continue in existence until April 12, 2022. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of June 30, 2019, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600, respectively, of equity to SLP II. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedule of Investments as of June 30, 2019 and December 31, 2018.

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On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2022 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.60% per annum. As of June 30, 2019 and December 31, 2018, SLP II had total investments with an aggregate fair value of approximately \$364,281 and \$336,869, respectively, and debt outstanding under its credit facility of \$267,670 and \$243,170, respectively. As of June 30, 2019 and December 31, 2018, none of SLP II's investments were on non-accrual. Additionally, as of June 30, 2019 and December 31, 2018, SLP II had unfunded commitments in the form of delayed draws of \$4,109 and \$5,858, 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 June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
First lien investments (1)	\$	373,248	\$	348,577
Weighted average interest rate on first lien investments (2)		6.67%		6.84%
Number of portfolio companies in SLP II		36		31
Largest portfolio company investment (1)	\$	17,063	\$	17,150
Total of five largest portfolio company investments (1)	\$	79,559	\$	80,766

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

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

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The following table is a listing of the individual investments in SLP II's portfolio as of June 30, 2019:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien:						
Access CIG, LLC	Business Services	6.19% (L + 3.75%)	2/27/2025	\$ 9,883	\$ 9,841	\$ 9,840
ADG, LLC	Healthcare Services	7.45% (L + 4.75% + 0.50% PIK)	9/28/2023	16,032	15,927	15,792
Bearcat Buyer, Inc.	Healthcare Services	6.56% (L + 4.25%)	7/9/2026	1,382	1,375	1,375
Brave Parent Holdings, Inc.	Software	6.58% (L + 4.00%)	4/18/2025	15,345	15,296	15,259
CentralSquare Technologies, LLC	Software	6.15% (L + 3.75%)	8/29/2025	14,925	14,891	14,771
CHA Holdings, Inc.	Business Services	6.83% (L + 4.50%)	4/10/2025	10,751	10,709	10,738
CHA Holdings, Inc.	Business Services	6.81% (L + 4.50%)	4/10/2025	2,057	2,047	2,055
CommerceHub, Inc.	Software	6.15% (L + 3.75%)	5/21/2025	2,475	2,464	2,438
Drilling Info Holdings, Inc.	Business Services	6.65% (L + 4.25%)	7/30/2025	14,770	14,712	14,696
Edgewood Partners Holdings LLC	Business Services	6.65% (L + 4.25%)	9/6/2024	6,381	6,321	6,365
Fastlane Parent Company, Inc.	Distribution & Logistics	6.83% (L + 4.50%)	2/4/2026	3,491	3,424	3,443
GOBP Holdings, Inc.	Retail	6.14% (L + 3.75%)	10/22/2025	1,639	1,635	1,640
Greenway Health, LLC	Software	6.08% (L + 3.75%)	2/16/2024	14,700	14,648	13,046
Idera, Inc.	Software	6.91% (L + 4.50%)	6/28/2024	14,928	14,821	14,966
Institutional Shareholder Services Inc.	Business Services	6.83% (L + 4.50%)	3/5/2026	13,965	13,829	13,860
J.D. Power (fka J.D. Power and Associates)	Business Services	6.15% (L + 3.75%)	9/7/2023	14,885	14,847	14,848
Keystone Acquisition Corp.	Healthcare Services	7.58% (L + 5.25%)	5/1/2024	5,306	5,266	5,194
LSCS Holdings, Inc.	Healthcare Services	6.58% (L + 4.25%)	3/17/2025	7,316	7,308	7,280
LSCS Holdings, Inc.	Healthcare Services	6.58% (L + 4.25%)	3/17/2025	1,889	1,886	1,879
Market Track, LLC	Business Services	6.65% (L + 4.25%)	6/5/2024	11,760	11,716	10,584
Medical Solutions Holdings, Inc.	Healthcare Services	6.15% (L + 3.75%)	6/14/2024	4,409	4,393	4,409
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	12,222	12,181	12,222
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	2,105	2,099	2,105
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	884	880	884
NorthStar Financial Services Group, LLC	Software	5.60% (L + 3.25%)	5/25/2025	5,885	5,859	5,804
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.66% (L + 5.25%)	4/29/2024	10,290	10,252	10,226
Poseidon Intermediate, LLC	Software	6.66% (L + 4.25%)	8/15/2022	14,654	14,651	14,678
Premise Health Holding Corp.	Healthcare Services	5.83% (L + 3.50%)	7/10/2025	1,379	1,373	1,371
Project Accelerate Parent, LLC	Business Services	6.66% (L + 4.25%)	1/2/2025	14,813	14,751	14,775
PSC Industrial Holdings Corp.	Industrial Services	6.14% (L + 3.75%)	10/11/2024	10,343	10,261	10,327
Quartz Holding Company	Software	6.44% (L + 4.00%)	4/2/2026	4,000	3,980	3,995
Quest Software US Holdings Inc.	Software	6.83% (L + 4.25%)	5/16/2025	14,925	14,860	14,729
Salient CRGT Inc.	Federal Services	8.40% (L + 6.00%)	2/28/2022	13,321	13,244	12,789
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.83% (L + 4.25%)	7/30/2025	8,933	8,913	8,894
The Ultimate Software Group Inc.	Software	6.08% (L + 3.75%)	5/4/2026	5,000	4,988	5,014
Wirepath LLC	Distribution & Logistics	6.33% (L + 4.00%)	8/5/2024	14,888	14,888	14,813
WP CityMD Bidco LLC	Healthcare Services	5.83% (L + 3.50%)	6/7/2024	10,768	10,748	10,761
Wrench Group LLC	Consumer Services	6.45% (L + 4.25%)	4/30/2026	4,500	4,456	4,500
YI, LLC	Healthcare Services	6.33% (L + 4.00%)	11/7/2024	14,877	14,866	14,858
Zywave, Inc.	Software	7.58% (L + 5.00%)	11/17/2022	17,063	17,010	17,063
Total Funded Investments				\$ 369,139	\$ 367,616	\$ 364,286
Unfunded Investments - First lien:						
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	\$ 284	\$ (1)	\$ (1)
CHA Holdings, Inc.	Business Services	—	10/10/2019	86	—	—
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)
Wrench Group LLC	Consumer Services	—	4/30/2021	1,500	—	—
Total Unfunded Investments				\$ 4,109	\$ (17)	\$ (5)
Total Investments				\$ 373,248	\$ 367,599	\$ 364,281

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- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L). For each investment, the current interest rate provided reflects the rate in effect as of June 30, 2019.
- (2) Represents the fair value in accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”). The Company's board of directors does not determine the fair value of the investments held by SLP II.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	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	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business 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	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
Total Funded Investments				\$ 342,719	\$ 341,269	\$ 336,914
Unfunded Investments - First lien						
Access CIG, LLC	Business Services	—	2/27/2019	\$ 1,108	\$ —	\$ (28)
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11)	(6)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	(1)
Total Unfunded Investments				\$ 5,858	\$ (22)	\$ (45)
Total Investments				\$ 348,577	\$ 341,247	\$ 336,869

- (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.

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

Below is certain summarized financial information for SLP II as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

Selected Balance Sheet Information:	June 30, 2019		December 31, 2018	
Investments at fair value (cost of \$367,599 and \$341,247, respectively)	\$	364,281	\$	336,869
Cash and other assets		8,792		7,620
Total assets	\$	373,073	\$	344,489
Credit facility	\$	267,670	\$	243,170
Deferred financing costs		(1,852)		(1,374)
Distribution payable		3,500		3,250
Payable for unsettled securities purchased		3,861		—
Other liabilities		2,872		2,869
Total liabilities		276,051		247,915
Members' capital	\$	97,022	\$	96,574
Total liabilities and members' capital	\$	373,073	\$	344,489

Selected Statement of Operations Information:	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest income	\$ 6,345	\$ 6,134	\$ 12,568	\$ 11,764
Other income	32	36	58	58
Total investment income	6,377	6,170	12,626	11,822
Interest and other financing expenses	2,966	2,553	5,739	4,981
Other expenses	144	140	279	364
Total expenses	3,110	2,693	6,018	5,345
Less: expenses waived and reimbursed	(20)	—	(20)	—
Net expenses	3,090	2,693	5,998	5,345
Net investment income	3,287	3,477	6,628	6,477
Net realized gains on investments	253	180	261	633
Net change in unrealized (depreciation) appreciation of investments	(487)	(957)	1,060	(280)
Net increase in members' capital	\$ 3,053	\$ 2,700	\$ 7,949	\$ 6,830

For the three and six months ended June 30, 2019, the Company earned approximately \$2,779 and \$5,955, respectively, of dividend income related to SLP II, which is included in dividend income. For the three and six months ended June 30, 2018, the Company earned approximately \$3,144 and \$5,764, respectively, of dividend income related to SLP II, which is included in dividend income. As of June 30, 2019 and December 31, 2018, approximately \$2,779 and \$2,581, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

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

NMFC Senior Loan Program III LLC

NMFC Senior Loan Program III LLC ("SLP III") was formed as a Delaware limited liability company and commenced operations on April 25, 2018. SLP III is structured as a private joint venture investment fund between the Company and SkyKnight Income II, LLC ("SkyKnight II") and operates under a limited liability company agreement (the "SLP III Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP III, which has equal representation from the Company and SkyKnight II. SLP III has a five year investment period and will continue in existence until April 25, 2025. The investment period may be extended for up to one year pursuant to certain terms of the SLP III Agreement.

SLP III is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions are completed. Any decision by SLP III to call down on capital commitments requires approval by the board of managers of SLP III. As of June 30, 2019, the Company and SkyKnight II have committed \$100,000 and \$25,000, respectively, of equity to SLP III. As of June 30, 2019, the Company and SkyKnight II have contributed \$80,000 and \$20,000, respectively, of equity to SLP III. The Company's investment in SLP III is disclosed on the Company's Consolidated Schedule of Investments as of June 30, 2019 and December 31, 2018.

On May 2, 2018, SLP III closed its 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. Effective June 24, 2019, SLP III's revolving credit facility has a maximum borrowing capacity of \$375,000. As of June 30, 2019 and December 31, 2018, SLP III had total investments with an aggregate fair value of approximately \$441,713 and \$365,357, respectively, and debt outstanding under its credit facility of \$288,300 and \$280,300, respectively. As of June 30, 2019 and December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of June 30, 2019 and December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of \$11,898 and \$8,811, 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 June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
First lien investments (1)	\$	459,743	\$	383,289
Weighted average interest rate on first lien investments (2)		6.36%		6.50%
Number of portfolio companies in SLP III		46		39
Largest portfolio company investment (1)	\$	24,000	\$	18,958
Total of five largest portfolio company investments (1)	\$	94,581	\$	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 June 30, 2019:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	6.19% (L + 3.75%)	2/27/2025	\$ 1,210	\$ 1,210	\$ 1,204
Affordable Care Holding Corp.	Healthcare Services	7.23% (L + 4.75%)	10/24/2022	5,994	5,902	5,844
BCPE Empire Holdings, Inc.	Distribution & Logistics	6.40% (L + 4.00%)	6/10/2026	9,190	9,098	9,167
Bearcat Buyer, Inc.	Healthcare Services	6.56% (L + 4.25%)	7/9/2026	19,902	19,803	19,803
Bracket Intermediate Holding Corp.	Healthcare Services	6.82% (L + 4.25%)	9/5/2025	14,888	14,820	14,850
Brave Parent Holdings, Inc.	Software	6.58% (L + 4.00%)	4/18/2025	14,850	14,803	14,766
CentralSquare Technologies, LLC	Software	6.15% (L + 3.75%)	8/29/2025	14,925	14,891	14,771
Certara Holdco, Inc.	Healthcare I.T.	5.83% (L + 3.50%)	8/15/2024	1,269	1,273	1,262
CHA Holdings, Inc.	Business Services	6.83% (L + 4.50%)	4/10/2025	992	992	991
CommerceHub, Inc.	Software	6.15% (L + 3.75%)	5/21/2025	14,850	14,785	14,627
Covenant Surgical Partners, Inc.	Healthcare Services	6.40% (L + 4.25%)	7/1/2026	10,000	9,900	9,963
CRCI Longhorn Holdings, Inc.	Business Services	5.91% (L + 3.50%)	8/8/2025	14,887	14,821	14,739
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	6.15% (L + 3.75%)	6/6/2025	14,860	14,828	14,715
Drilling Info Holdings, Inc.	Business Services	6.65% (L + 4.25%)	7/30/2025	18,798	18,713	18,704
Edgewood Partners Holdings LLC	Business Services	6.65% (L + 4.25%)	9/6/2024	6,381	6,321	6,365
Fastlane Parent Company, Inc.	Distribution & Logistics	6.83% (L + 4.50%)	2/4/2026	3,491	3,424	3,443
Greenway Health, LLC	Software	6.08% (L + 3.75%)	2/16/2024	14,746	14,755	13,088
Heartland Dental, LLC	Healthcare Services	6.15% (L + 3.75%)	4/30/2025	18,410	18,330	17,520
Idera, Inc.	Software	6.91% (L + 4.50%)	6/28/2024	9,783	9,740	9,807
Institutional Shareholder Services Inc.	Business Services	6.83% (L + 4.50%)	3/5/2026	998	988	990
J.D. Power (fka J.D. Power and Associates)	Business Services	6.15% (L + 3.75%)	9/7/2023	5,954	5,954	5,939
Kestra Advisor Services Holdings A, Inc.	Business Services	6.78% (L + 4.25%)	6/3/2026	9,500	9,420	9,464
Market Track, LLC	Business Services	6.65% (L + 4.25%)	6/5/2024	4,802	4,797	4,322
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	4,572	4,555	4,572
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	884	880	884
National Intergovernmental Purchasing Alliance Company	Business Services	6.08% (L + 3.75%)	5/23/2025	14,850	14,838	14,664
Navex Topco, Inc.	Software	5.66% (L + 3.25%)	9/5/2025	14,887	14,819	14,620
Navicure, Inc.	Healthcare Services	6.15% (L + 3.75%)	11/1/2024	2,970	2,970	2,953
Netsmart Technologies, Inc.	Healthcare I.T.	6.15% (L + 3.75%)	4/19/2023	10,384	10,384	10,296
Newport Group Holdings II, Inc.	Business Services	6.15% (L + 3.75%)	9/12/2025	4,963	4,940	4,922
NorthStar Financial Services Group, LLC	Software	5.60% (L + 3.25%)	5/25/2025	11,770	11,719	11,609
OEConnection LLC	Business Services	6.41% (L + 4.00%)	11/22/2024	1,821	1,833	1,807
Outcomes Group Holdings, Inc.	Healthcare Services	6.02% (L + 3.50%)	10/24/2025	6,468	6,453	6,395
Pelican Products, Inc.	Business Products	5.91% (L + 3.50%)	5/1/2025	4,950	4,939	4,876
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.66% (L + 5.25%)	4/29/2024	15,509	15,444	15,412
Premise Health Holding Corp.	Healthcare Services	5.83% (L + 3.50%)	7/10/2025	13,793	13,731	13,712
Project Accelerate Parent, LLC	Business Services	6.66% (L + 4.25%)	1/2/2025	9,975	9,925	9,950
Quartz Holding Company	Software	6.44% (L + 4.00%)	4/2/2026	2,000	1,990	1,998
Quest Software US Holdings Inc.	Software	6.83% (L + 4.25%)	5/16/2025	14,925	14,860	14,729
Refinitiv US Holdings Inc. (fka Financial & Risk US Holdings, Inc.)	Business Services	6.15% (L + 3.75%)	10/1/2025	7,960	7,942	7,734
Sierra Enterprises, LLC	Food & Beverage	6.40% (L + 4.00%)	11/11/2024	2,469	2,466	2,463
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.83% (L + 4.25%)	7/30/2025	14,887	14,854	14,822
TIBCO Software Inc.	Software	6.40% (L + 4.00%)	6/30/2026	5,500	5,473	5,515
VT Topco, Inc.	Business Services	6.08% (L + 3.75%)	8/1/2025	7,940	7,922	7,923
VT Topco, Inc.	Business Services	6.08% (L + 3.75%)	8/1/2025	1,646	1,642	1,642
Wirepath LLC	Distribution & Logistics	6.33% (L + 4.00%)	8/5/2024	17,389	17,389	17,303
WP CityMD Bidco LLC	Healthcare Services	5.83% (L + 3.50%)	6/7/2024	14,812	14,812	14,802
YI, LLC	Healthcare Services	6.33% (L + 4.00%)	11/7/2024	9,841	9,834	9,829
Total Funded Investments				\$ 447,845	\$ 446,182	\$ 441,776

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Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Unfunded Investments - First lien						
BCPE Empire Holdings, Inc.	Distribution & Logistics	—	6/11/2021	\$ 1,810	\$ —	\$ (5)
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	4,097	(20)	(20)
Covenant Surgical Partners, Inc.	Healthcare Services	—	7/1/2021	2,000	(20)	(7)
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	—	(20)
Ministry Brands, LLC	Software	—	10/18/2019	980	(5)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(7)
VT Topco, Inc.	Business Services	—	8/1/2020	345	—	(1)
Total Unfunded Investments				\$ 11,898	\$ (59)	\$ (63)
Total Investments				\$ 459,743	\$ 446,123	\$ 441,713

- (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 June 30, 2019.
- (2) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP III.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Funded Investments - First lien						
Access CIG, LLC	Business Services	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
Navicare, 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.	Education	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	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	4,965	4,983	4,935
Total Funded Investments				\$ 374,478	\$ 373,443	\$ 365,497
Unfunded Investments - First lien						
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)
Total Unfunded Investments				\$ 8,811	\$ (21)	\$ (140)
Total Investments				\$ 383,289	\$ 373,422	\$ 365,357

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- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L). 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 June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

Selected Balance Sheet Information:	June 30, 2019		December 31, 2018	
Investments at fair value (cost of \$446,123 and \$373,422)	\$	441,713	\$	365,357
Cash and other assets		8,912		9,138
Total assets	\$	450,625	\$	374,495
Credit facility	\$	288,300	\$	280,300
Deferred financing costs		(2,737)		(2,831)
Payable for unsettled securities purchased		63,615		—
Distribution payable		2,750		2,600
Other liabilities		3,463		4,456
Total liabilities		355,391		284,525
Members' capital	\$	95,234	\$	89,970
Total liabilities and members' capital	\$	450,625	\$	374,495

Selected Statement of Operations Information:	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018(1)	June 30, 2019	June 30, 2018(1)
Interest income	\$ 6,267	\$ 790	\$ 12,560	\$ 790
Other income	78	22	148	22
Total investment income	6,345	812	12,708	812
Interest and other financing expenses	3,350	574	6,741	574
Other expenses	165	226	303	226
Total expenses	3,515	800	7,044	800
Less: expenses waived and reimbursed	(22)	—	(22)	—
Net expenses	3,493	800	7,022	800
Net investment income	2,852	12	5,686	12
Net realized gains on investments	37	—	70	—
Net change in unrealized appreciation of investments	688	618	3,655	618
Net increase in members' capital	\$ 3,577	\$ 630	\$ 9,411	\$ 630

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

For the three and six months ended June 30, 2019, the Company earned approximately \$2,200 and \$4,920 of dividend income related to SLP III, which is included in dividend income. For the three and six months ended June 30, 2018, the Company did not earn any dividend income related to SLP III. As of June 30, 2019 and December 31, 2018 approximately \$2,200 and \$2,080, respectively, of dividend income related to SLP III was included in interest and dividend receivable.

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

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rule 10-01(b)(1), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule. As of June 30, 2019, the Company did not have any significant unconsolidated subsidiaries under Regulation S-X Rule 10-01(b)(1).

Investment Risk Factors

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

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

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

Note 4. Fair Value

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a

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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 the Company's portfolio investments fall into as of June 30, 2019:

	Total	Level I	Level II	Level III
First lien	\$ 1,394,329	\$ —	\$ 196,176	\$ 1,198,153
Second lien	722,940	—	392,544	330,396
Subordinated	69,519	—	25,934	43,585
Equity and other	456,308	—	—	456,308
Total investments	\$ 2,643,096	\$ —	\$ 614,654	\$ 2,028,442

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

	Total	Level I	Level II	Level III
First lien	\$ 1,173,459	\$ —	\$ 185,931	\$ 987,528
Second lien	662,556	—	355,741	306,815
Subordinated	65,297	—	25,210	40,087
Equity and other	440,641	—	—	440,641
Total investments	\$ 2,341,953	\$ —	\$ 566,882	\$ 1,775,071

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended June 30, 2019, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at June 30, 2019:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, March 31, 2019	\$ 1,918,785	\$ 1,107,716	\$ 316,510	\$ 40,891	\$ 453,668
Total gains or losses included in earnings:					
Net realized gains on investments	46	24	22	—	—
Net change in unrealized (depreciation) appreciation	(4,571)	(518)	956	1,764	(6,773)
Purchases, including capitalized PIK and revolver fundings	192,131	138,709	43,079	930	9,413
Proceeds from sales and paydowns of investments	(63,213)	(21,378)	(41,835)	—	—
Transfers into Level III(1)	115,049	52,757	62,292	—	—
Transfers out of Level III(1)	(129,785)	(79,157)	(50,628)	—	—
Fair Value, June 30, 2019	\$ 2,028,442	\$ 1,198,153	\$ 330,396	\$ 43,585	\$ 456,308
Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period:	\$ (4,571)	\$ (518)	\$ 956	\$ 1,764	\$ (6,773)

(1) As of June 30, 2019, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

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

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, March 31, 2018	\$ 1,513,165	\$ 649,391	\$ 438,136	\$ 28,192	\$ 397,446
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(1,114)	15	(1,129)	—	—
Net change in unrealized appreciation (depreciation)	7,675	(1,101)	(12,572)	(2,426)	23,774
Purchases, including capitalized PIK and revolver fundings	228,891	108,444	36,965	16,860	66,622
Proceeds from sales and paydowns of investments	(89,363)	(27,230)	(60,633)	(1,500)	—
Transfers into Level III (1)	9,512	9,512	—	—	—
Transfers out of Level III (1)	(46,855)	(27,953)	(18,902)	—	—
Fair Value, June 30, 2018	\$ 1,621,911	\$ 711,078	\$ 381,865	\$ 41,126	\$ 487,842
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:					
	\$ 7,695	\$ (913)	\$ (12,740)	\$ (2,426)	\$ 23,774

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

The following table summarizes the changes in fair value of Level III portfolio investments for the six months ended June 30, 2019, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at June 30, 2019:

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2018	\$ 1,775,071	\$ 987,528	\$ 306,815	\$ 40,087	\$ 440,641
Total gains or losses included in earnings:					
Net realized gains on investments	84	55	29	—	—
Net change in unrealized appreciation	4,599	1,706	1,264	1,284	345
Purchases, including capitalized PIK and revolver fundings	332,072	224,402	90,134	2,214	15,322
Proceeds from sales and paydowns of investments	(73,850)	(29,158)	(44,692)	—	—
Transfers into Level III(1)	130,098	83,383	46,715	—	—
Transfers out of Level III(1)	(139,632)	(69,763)	(69,869)	—	—
Fair Value, June 30, 2019	\$ 2,028,442	\$ 1,198,153	\$ 330,396	\$ 43,585	\$ 456,308
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:					
	\$ 4,430	\$ 1,706	\$ 1,095	\$ 1,284	\$ 345

- (1) As of June 30, 2019, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

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

	Total	First Lien	Second Lien	Subordinated	Equity and other
Fair value, December 31, 2017	\$ 1,405,754	\$ 556,697	\$ 443,082	\$ 27,101	\$ 378,874
Total gains or losses included in earnings:					
Net realized (losses) gains on investments	(1,017)	112	(1,129)	—	—
Net change in unrealized appreciation (depreciation)	6,121	(1,383)	(13,581)	(2,533)	23,618
Purchases, including capitalized PIK and revolver fundings	427,210	242,731	81,071	18,058	85,350
Proceeds from sales and paydowns of investments	(178,696)	(116,563)	(60,633)	(1,500)	—
Transfers into Level III(1)	85,549	85,549	—	—	—
Transfers out of Level III(1)	(123,010)	(56,065)	(66,945)	—	—
Fair Value, June 30, 2018	\$ 1,621,911	\$ 711,078	\$ 381,865	\$ 41,126	\$ 487,842
Unrealized appreciation (depreciation) for the period relating to those Level III assets that were still held by the Company at the end of the period:	\$ 6,652	\$ (684)	\$ (13,749)	\$ (2,533)	\$ 23,618

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

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three and six months ended June 30, 2019 and June 30, 2018. Transfers into Level III occur as quotations obtained through pricing services are deemed not representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

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

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

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

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

Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of June 30, 2019 and December 31, 2018, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of June 30, 2019 and December 31, 2018, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of June 30, 2019 were as follows:

Type	Fair Value as of June 30, 2019	Approach	Unobservable Input	Range		Weighted Average		
				Low	High			
First lien	\$ 948,912	Market & income approach	EBITDA multiple	2.0x	32.0x	12.9x		
			Revenue multiple	3.5x	11.0x	6.6x		
			Discount rate	6.1%	15.3%	8.6%		
			160,107	Market quote	Broker quote	N/A	N/A	N/A
	89,134	Other	N/A(1)	N/A	N/A	N/A		
Second lien	83,980	Market & income approach	EBITDA multiple	8.5x	13.5x	10.7x		
			Discount rate	9.9%	20.0%	12.6%		
			214,656	Market quote	Broker quote	N/A	N/A	N/A
			31,760	Other	N/A(1)	N/A	N/A	N/A
Subordinated	43,585	Market & income approach	EBITDA multiple	5.0x	12.0x	9.8x		
			Discount rate	11.0%	22.0%	16.7%		
Equity and other	455,481	Market & income approach	EBITDA multiple	0.3x	19.5x	11.0x		
			Discount rate	6.4%	26.1%	13.3%		
			827	Black Scholes analysis	Expected life in years	6.8	6.8	6.8
					Volatility	29.2%	29.2%	29.2%
			Discount rate	2.1%	2.1%	2.1%		
	<u>\$ 2,028,442</u>							

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

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2018 were as follows:

Type	Fair Value as of December 31, 2018	Approach	Unobservable Input	Range		Weighted Average	
				Low	High		
First lien	\$ 797,985	Market & income approach	EBITDA multiple	2.0x	32.0x	12.1x	
			Revenue multiple	3.5x	6.5x	5.8x	
			Discount rate	7.0%	15.3%	9.6%	
			129,837 Market quote	Broker quote	N/A	N/A	N/A
			59,706 Other	N/A(1)	N/A	N/A	N/A
Second lien	102,963	Market & income approach	EBITDA multiple	8.5x	15.0x	11.1x	
			Discount rate	10.0%	19.7%	12.8%	
			203,852 Market quote	Broker quote	N/A	N/A	N/A
Subordinated	40,087	Market & income approach	EBITDA multiple	5.0x	13.0x	10.2x	
			Discount rate	10.9%	21.4%	16.3%	
Equity and other	439,977	Market & income approach	EBITDA multiple	0.4x	18.0x	10.3x	
			Discount rate	6.5%	25.8%	13.5%	
			664 Black Scholes analysis	Expected life in years	7.3	7.3	7.3
			Volatility	37.9%	37.9%	37.9%	
			Discount rate	2.9%	2.9%	2.9%	
	<u>\$ 1,775,071</u>						

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

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility, the NMFC Credit Facility and the DB Credit Facility (as defined in Note 7. *Borrowings*) are representative of market. The carrying values of the Holdings Credit Facility, NMFC Credit Facility and DB Credit Facility approximate fair value as of June 30, 2019, as the facilities are continually monitored and examined by both the borrower and the lender and are considered Level III. The carrying value of the SBA-guaranteed debentures, the 2016 Unsecured Notes, the 2017A Unsecured Notes, the 2018A Unsecured Notes, the 2018B Unsecured Notes and the 2019A Unsecured Notes (as defined in Note 7. *Borrowings*) approximate fair value as of June 30, 2019 based on a comparison of market interest rates for the Company's borrowings and similar entities and are considered Level III. The fair value of the 2018 Convertible Notes and the 5.75% Unsecured Notes (as defined in Note 7. *Borrowings*) as of June 30, 2019 was \$208,018 and \$52,877, respectively, which was based on quoted prices and considered Level II. See Note 7. *Borrowings*, for details. The carrying value of the collateralized agreement approximates fair value as of June 30, 2019 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

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

Note 5. Agreements

The Company entered into an investment advisory and management agreement (the "Investment Management Agreement") with the Investment Adviser which was most recently re-approved by the Company's board of directors on February 6, 2019. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

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Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company's gross assets, which equals the Company's total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (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 the Company's gross assets, which equals the Company's total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The Company has not invested, and currently is not invested, in derivatives. To the extent the Company invests in derivatives in the future, the Company will use the actual value of the derivatives, as reported on the Consolidated Statements of Assets and Liabilities, for purposes of calculating its base management fee.

Since the IPO, the base management fee calculation has deducted the borrowings under the SLF Credit Facility. The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company's existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and formed the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. *Borrowings*). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets held under revolving credit facilities that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of June 30, 2019 and June 30, 2018 was approximately \$658,499 and \$360,288, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three and six months ended June 30, 2019, management fees waived were approximately \$2,823 and \$5,356, respectively. For the three and six months ended June 30, 2018, management fees waived were approximately \$1,495 and \$2,817, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company's "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter, subject to a "preferred return", or "hurdle", and a "catch-up" feature. "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the "Administration Agreement"), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of June 30, 2019), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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

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

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

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

The following table summarizes the management fees and incentive fees incurred by the Company for the three and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Management fee	\$ 11,640	\$ 9,301	\$ 22,615	\$ 17,993
Less: management fee waiver	(2,823)	(1,495)	(5,356)	(2,817)
Total management fee	8,817	7,806	17,259	15,176
Incentive fee, excluding accrued capital gains incentive fees	\$ 6,987	\$ 6,430	\$ 13,850	\$ 12,864
Accrued capital gains incentive fees(1)	\$ —	\$ —	\$ —	\$ —

- (1) As of June 30, 2019 and June 30, 2018, no actual capital gains incentive fee was owed under the Investment Management Agreement by the Company, as cumulative net realized capital gains did not exceed cumulative unrealized capital depreciation.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the United States Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three and six months ended June 30, 2019, approximately \$671 and \$1,394, respectively, of indirect administrative expenses were included in administrative expenses of which \$335 and \$335, respectively, were waived by the Administrator. For the three and six months ended June 30, 2018, approximately \$551 and \$1,210, respectively, of indirect administrative expenses were included in administrative expenses of which \$276 and \$276, respectively, were waived by the Administrator. As of June 30, 2019 and December 31, 2018, approximately \$362 and \$681, respectively, of indirect administrative expenses were included in payable to affiliates.

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

Note 6. Related Parties

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

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

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

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

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

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

Note 7. Borrowings

As permitted by the Small Business Credit Availability Act (the "SBCA") on June 8, 2018 the Company's shareholders 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, which resulted in the reduction from 200.0% to 150.0% of the minimum asset coverage ratio applicable to the Company as of June 9, 2018 (which means the Company can borrow \$2 for every \$1 of its equity). As a result of the Company's exemptive relief received on November 5, 2014, the Company is permitted to exclude its SBA-guaranteed debentures from the 150.0% asset coverage ratio that the Company is required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that the Company not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that the Company not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of June 30, 2019, the Company's asset coverage ratio was 175.1%.

Holdings Credit Facility—On December 18, 2014, the Company entered into the Second Amended and Restated Loan and Security Agreement among the Company, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian (as amended from time to time, the "Holdings Credit Facility"). As of the most recent amendment on May 7, 2019, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of \$800,000 and the actual commitments of the lenders to make advances as of such date.

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As of June 30, 2019, the maximum amount of revolving borrowings available under the Holdings Credit Facility is \$720,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio 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 and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 6,352	\$ 3,591	\$ 12,690	\$ 6,717
Non-usage fee	\$ 169	\$ 179	\$ 286	\$ 391
Amortization of financing costs	\$ 702	\$ 624	\$ 1,381	\$ 1,240
Weighted average interest rate	4.5%	4.1%	4.5%	4.0%
Effective interest rate	5.1%	5.0%	5.1%	5.0%
Average debt outstanding	\$ 565,942	\$ 351,466	\$ 566,139	\$ 337,283

As of June 30, 2019 and December 31, 2018, the outstanding balance on the Holdings Credit Facility was \$549,063 and \$512,563, 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 the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility. The NMFC Credit Facility is guaranteed by certain of the Company's 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 June 30, 2019, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$135,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

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

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 1,159	\$ 1,519	\$ 2,178	\$ 2,371
Non-usage fee	\$ 40	\$ 14	\$ 90	\$ 71
Amortization of financing costs	\$ 97	\$ 121	\$ 219	\$ 233
Weighted average interest rate	5.0%	4.5%	5.0%	4.4%
Effective interest rate	5.6%	4.9%	5.8%	5.0%
Average debt outstanding	\$ 92,473	\$ 135,769	\$ 87,017	\$ 108,881

As of June 30, 2019 and December 31, 2018, the outstanding balance on the NMFC Credit Facility was \$135,000 and \$60,000, 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 and as amended from time to time, 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 June 30, 2019, the maximum amount of revolving borrowings available under the DB Credit Facility was \$150,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Loan Financing and Servicing Agreement. The DB Credit Facility is non-recourse to the Company 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 the Company's 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.

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. Prior to June 28, 2019, the "Applicable Margin" was equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. Effective June 28, 2019, the Applicable Margin is equal to 2.60% 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. The Company is 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) and a facility agent fee of 0.25% per annum on the total facility amount.

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the three and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018(1)	June 30, 2019	June 30, 2018(1)
Interest expense(2)	\$ 912	\$ —	\$ 1,447	\$ —
Non-usage fee(2)	\$ 44	\$ —	\$ 121	\$ —
Amortization of financing costs	\$ 91	\$ —	\$ 156	\$ —
Weighted average interest rate	5.5%	—%	5.5%	—%
Effective interest rate	6.3%	—%	6.6%	—%
Average debt outstanding	\$ 66,868	\$ —	\$ 52,740	\$ —

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

(2) Interest expense includes the portion of the facility agent fee applicable to the drawn portion of the DB Credit Facility and non-usage fee includes the portion of the facility agent fee applicable to the undrawn portion of the DB Credit Facility.

As of June 30, 2019 and December 31, 2018, the outstanding balance on the DB Credit Facility was \$100,000 and \$57,000, 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 the Company and proceeds from the NMNL Credit Facility may be used for funding of additional acquisition properties.

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

As of June 30, 2019, the maximum amount of revolving borrowings available under the NMNL Credit Facility was \$30,000. For the three months ended June 30, 2019, interest expense, non-usage fees and amortization of financing costs were \$0, \$12 and \$28, respectively. For the six months ended June 30, 2019, interest expense, non-usage fees and amortization of financing costs were \$0, \$23 and \$56, respectively. As of June 30, 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, the Company closed a private offering of \$115,000 aggregate principal amount of unsecured convertible notes (the “2014 Convertible Notes”), pursuant to an indenture, dated June 3, 2014 (the “2014 Indenture”). The 2014 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the 2014 Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, the Company closed a public offering of an additional \$40,250 aggregate principal amount of the 2014 Convertible Notes. These additional 2014 Convertible Notes constituted a further issuance of, ranked equally in right of payment with, and formed a single series with the \$115,000 aggregate principal amount of 2014 Convertible Notes that the Company issued on June 3, 2014.

The 2014 Convertible Notes bore 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 matured on June 15, 2019.

On June 15, 2019, the Company’s \$155,250 aggregate principal amount of 2014 Convertible Notes matured and the Company repaid the outstanding principal and accrued but unpaid interest in cash.

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

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Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes. On June 7, 2019, the Company closed a registered public offering of an additional \$86,250 aggregate principal amount of the 2018 Convertible Notes. These additional 2018 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115,000 aggregate principal amount of 2018 Convertible Notes that the Company issued in August 2018.

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

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

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

The following table summarizes certain key terms related to the convertible features of the Company's 2018 Convertible Notes as of June 30, 2019.

	2018 Convertible Notes	
Initial conversion premium		10.0%
Initial conversion rate(1)		65.8762
Initial conversion price	\$	15.18
Conversion premium at June 30, 2019		10.0%
Conversion rate at June 30, 2019(1)(2)		65.8762
Conversion price at June 30, 2019(2)(3)	\$	15.18
Last conversion price calculation date		August 20, 2018

(1) Conversion rates denominated in shares of common stock per \$1 principal amount of the 2018 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 June 30, 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 dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$13.80 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 72.4637 per \$1 principal amount. The Company has determined that the embedded conversion option in the 2018 Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The 2018 Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness, if any, that is expressly subordinated in right of payment to the 2018 Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future

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indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 11. *Earnings Per Share*, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 3,579	\$ 1,940	\$ 7,173	\$ 3,881
Amortization of financing costs	\$ 251	\$ 297	\$ 597	\$ 590
Amortization of premium	\$ (30)	\$ (28)	\$ (57)	\$ (55)
Weighted average interest rate	5.4%	5.0%	5.4%	5.0%
Effective interest rate	5.7%	5.7%	5.8%	5.7%
Average debt outstanding	\$ 265,701	\$ 155,250	\$ 267,963	\$ 155,250

As of June 30, 2019 and December 31, 2018, the outstanding balance on the Convertible Notes was \$201,250 and \$270,250, respectively, and NMFC was in compliance with the terms of the 2018A Indenture on such date.

Unsecured Notes

On May 6, 2016, the Company issued \$50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, the Company issued \$90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. On July 5, 2018, the Company issued \$50,000 in aggregate principal amount of five year unsecured notes that mature on June 28, 2023 (the "2018B Unsecured Notes") pursuant to the NPA and a third supplement to the NPA (the "Third Supplement"). On April 30, 2019, the Company issued \$116,500 in aggregate principal amount of five year unsecured notes that mature on April 30, 2024 (the "2019A Unsecured Notes") pursuant to the NPA and a fourth supplement to the NPA. 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. The 2019A Unsecured Notes bear interest at an annual rate of 5.494%, payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2019. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the underlying unsecured notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the underlying unsecured notes at par, in which case holders of the underlying unsecured notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the underlying unsecured notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company's investment adviser or if certain change in control events occur with respect to the Investment Adviser.

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

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On September 25, 2018, the Company closed a registered public offering of \$50,000 in aggregate principal amount of five-year unsecured notes that mature on October 1, 2023 (the "5.75% Unsecured Notes" and together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes, 2018B Unsecured Notes and 2019A 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, the Company issued an additional \$1,750 aggregate principal amount of the 5.75% Unsecured Notes pursuant to the exercise of an overallotment option by the underwriters of the 5.75% Unsecured Notes.

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 "NMFV."

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

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

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

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019(1)	June 30, 2018(2)	June 30, 2019(1)	June 30, 2018(2)
Interest expense	\$ 5,444	\$ 2,946	\$ 9,804	\$ 5,538
Amortization of financing costs	\$ 291	\$ 174	\$ 566	\$ 336
Weighted average interest rate	5.2%	5.0%	5.2%	5.1%
Effective interest rate	5.5%	5.3%	5.6%	5.4%
Average debt outstanding	\$ 416,124	\$ 235,000	\$ 376,656	\$ 220,580

(1) For the three and six months ended June 30, 2019, amounts reported include interest and amortization of financing costs related to the 2019A Unsecured Notes for the period from April 30, 2019 (issuance date of the 2019A Unsecured Notes) to June 30, 2019.

(2) For the three and six months ended June 30, 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 June 30, 2018.

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As of June 30, 2019 and December 31, 2018, the outstanding balance on the Unsecured Notes was \$453,250 and \$336,750, respectively, and the Company was in compliance with the terms of the NPA and the 2018B Indenture as of such dates, as applicable.

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

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

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150,000 as long as the licensee has at least \$75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, legislation amended the 1958 Act by increasing the individual leverage limit from \$150,000 to \$175,000, subject to SBA approvals.

As of June 30, 2019 and December 31, 2018, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$150,000, respectively. As of June 30, 2019 and December 31, 2018, SBIC II had regulatory capital of \$42,500 and \$42,500, respectively, and \$15,000 and \$15,000, respectively, of SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company’s SBA-guaranteed debentures as of June 30, 2019.

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

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

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

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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 and six months ended June 30, 2019 and June 30, 2018.

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 1,359	\$ 1,249	\$ 2,704	\$ 2,409
Amortization of financing costs	\$ 138	\$ 128	\$ 274	\$ 252
Weighted average interest rate	3.3%	3.2%	3.3%	3.2%
Effective interest rate	3.6%	3.6%	3.6%	3.5%
Average debt outstanding	\$ 165,000	\$ 154,286	\$ 165,000	\$ 152,155

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 smaller businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of June 30, 2019 and December 31, 2018, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

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

Note 8. Regulation

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

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

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of June 30, 2019, the Company had unfunded commitments on revolving credit facilities of \$45,924, no outstanding bridge financing commitments and other future funding commitments of \$103,417. As of December 31, 2018, the Company had unfunded commitments on revolving credit facilities of \$43,539, no outstanding bridge financing commitments and other future funding commitments of \$94,407. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility, the DB Credit Facility and the NMNLC Credit Facility as of June 30, 2019 and December 31, 2018. See Note 7. *Borrowings*, for details.

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The Company may from time to time enter into financing commitment letters. As of June 30, 2019 and December 31, 2018, the Company had commitment letters to purchase investments in the aggregate par amount of \$100,000 and \$27,536, respectively, which could require funding in the future.

As of June 30, 2019 and December 31, 2018, the Company owed \$3,000 and \$6,000, respectively, related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company began to make semi-annual payments of \$3,000 in June 2018 with the final payment due in December 2019.

As of June 30, 2019, the Company had unfunded commitments related to an equity investment in SLP III of \$20,000, which may be funded at the Company's discretion.

Note 10. Net Assets

The table below illustrates the effect of certain transactions on the net asset accounts of the Company for the three and six months ended June 30, 2019:

	Common Stock		Paid in Capital in Excess of Par	Accumulated Overdistributed Earnings			Total Net Assets
	Shares	Par Amount		Accumulated Net Investment Income	Accumulated Net Realized (Losses) Gains	Net Unrealized Appreciation (Depreciation)	
Net assets at December 31, 2018	76,106,372	\$ 761	\$ 1,035,629	\$ 61,975	\$ (86,338)	\$ (5,758)	\$ 1,006,269
Issuances of common stock	4,413,058	44	60,617	—	—	—	60,661
Deferred offering costs	—	—	(229)	—	—	—	(229)
Distributions declared	—	—	—	(27,342)	—	—	(27,342)
Net increase (decrease) in net assets resulting from operations	—	—	—	27,450	46	16,424	43,920
Net assets at March 31, 2019	80,519,430	\$ 805	\$ 1,096,017	\$ 62,083	\$ (86,292)	\$ 10,666	\$ 1,083,279
Issuances of common stock	90,872	1	1,269	—	—	—	1,270
Distributions declared	—	—	—	(27,377)	—	—	(27,377)
Net increase (decrease) in net assets resulting from operations	—	—	—	27,948	52	(4,255)	23,745
Net assets at June 30, 2019	80,610,302	\$ 806	\$ 1,097,286	\$ 62,654	\$ (86,240)	\$ 6,411	\$ 1,080,917

The table below illustrates the effect of certain transactions on the net asset accounts of the Company for the three and six months ended June 30, 2018:

	Common Stock		Paid in Capital in Excess of Par	Accumulated Overdistributed Earnings			Total Net Assets
	Shares	Par Amount		Accumulated Net Investment Income	Accumulated Net Realized (Losses) Gains	Net Unrealized Appreciation (Depreciation)	
Net assets at December 31, 2017	75,935,093	\$ 759	\$ 1,053,468	\$ 39,165	\$ (76,681)	\$ 18,264	\$ 1,034,975
Distributions declared	—	—	—	(25,818)	—	—	(25,818)
Net increase (decrease) in net assets resulting from operations	—	—	—	25,736	206	(2,098)	23,844
Net assets at March 31, 2018	75,935,093	\$ 759	\$ 1,053,468	\$ 39,083	\$ (76,475)	\$ 16,166	\$ 1,033,001
Issuances of common stock	171,279	2	2,328	—	—	—	2,330
Distributions declared	—	—	—	(25,818)	—	—	(25,818)
Net increase (decrease) in net assets resulting from operations	—	—	—	25,721	(6,609)	4,021	23,133
Net assets at June 30, 2018	76,106,372	\$ 761	\$ 1,055,796	\$ 38,986	\$ (83,084)	\$ 20,187	\$ 1,032,646

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the three and six months ended June 30, 2019 and June 30, 2018:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Earnings per share—basic				
Numerator for basic earnings per share:	\$ 23,745	\$ 23,133	\$ 67,665	\$ 46,977
Denominator for basic weighted average share:	80,522,426	75,938,857	79,495,737	75,936,986
Basic earnings per share:	\$ 0.29	\$ 0.30	\$ 0.85	\$ 0.62
Earnings per share—diluted(1)				
Numerator for increase in net assets per share	\$ 23,745	\$ 23,133	\$ 67,665	\$ 46,977
Adjustment for interest on Convertible Notes and incentive fees, net	2,863	1,553	5,738	3,105
Numerator for diluted earnings per share:	\$ 26,608	\$ 24,686	\$ 73,403	\$ 50,082
Denominator for basic weighted average share	80,522,426	75,938,857	79,495,737	75,936,986
Adjustment for dilutive effect of Convertible Notes	17,171,073	9,824,127	17,284,850	9,824,127
Denominator for diluted weighted average share	97,693,499	85,762,984	96,780,587	85,761,113
Diluted earnings per share	\$ 0.27	\$ 0.29	\$ 0.76	\$ 0.58

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

Note 12. Financial Highlights

The following information sets forth the Company's financial highlights for the six months ended June 30, 2019 and June 30, 2018.

	Six Months Ended	
	June 30, 2019	June 30, 2018
Per share data(1):		
Net asset value, January 1, 2019 and January 1, 2018, respectively	\$ 13.22	\$ 13.63
Net investment income	0.70	0.68
Net realized and unrealized gains (losses)(2)	0.17	(0.06)
Total net increase	0.87	0.62
Distributions declared to stockholders from net investment income	(0.68)	(0.68)
Net asset value, June 30, 2019 and June 30, 2018, respectively	\$ 13.41	\$ 13.57
Per share market value, June 30, 2019 and June 30, 2018, respectively	\$ 13.97	\$ 13.60
Total return based on market value(3)	16.60%	5.52%
Total return based on net asset value(4)	6.63%	4.59%
Shares outstanding at end of period	80,610,302	76,106,372
Average weighted shares outstanding for the period	79,495,737	75,936,986
Average net assets for the period	\$ 1,081,666	\$ 1,032,833
Ratio to average net assets:		
Net investment income	10.33%	10.05%
Total expenses, before waivers/reimbursements	15.09%	11.54%
Total expenses, net of waivers/reimbursements	14.03%	10.94%
Average debt outstanding—Holdings Credit Facility	\$ 566,139	\$ 337,283
Average debt outstanding—Unsecured Notes	376,656	220,580
Average debt outstanding—Convertible Notes	267,963	155,250
Average debt outstanding—SBA-guaranteed debentures	165,000	152,155
Average debt outstanding—NMFC Credit Facility	87,017	108,881
Average debt outstanding—DB Credit Facility	52,740	—
Average debt outstanding—NMNLC Credit Facility	—	—
Asset coverage ratio(5)	175.12%	210.94%
Portfolio turnover	2.88%	14.57%

- (1) Per share data is based on weighted average shares outstanding for the respective period (except for distributions declared to stockholders, which is based on actual rate per share).
- (2) Includes the accretive effect of common stock issuances per share, which for the six months ended June 30, 2019 and June 30, 2018 were \$0.02 and \$0.00, respectively.
- (3) Total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Company's dividend reinvestment plan.
- (4) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.
- (5) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirement to exclude the SBA-guaranteed debentures from this calculation.

Note 13. Recent Accounting Standards Updates

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The standard will modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period. 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.

Note 14. Subsequent Events

On July 11, 2019, the Company completed a public offering of 6,900,000 shares of the Company's common stock at a public offering price of \$13.68 per share. The Investment Adviser paid a \$0.39 per share portion of the \$0.42 per share underwriters' sales load such that the Company received net proceeds of \$13.65 per share in this offering. All payments made by the Investment Adviser are not subject to reimbursement by the Company. The Company received total net proceeds of approximately \$94,185 in connection with this offering.

On August 1, 2019, the Company's board of directors declared a third quarter 2019 distribution of \$0.34 per share payable on September 27, 2019 to holders of record as of September 13, 2019.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedule of investments, as of June 30, 2019, and the related consolidated statements of operations and changes in net assets for the three-month and six-month periods ended June 30, 2019 and 2018, and cash flows for the six-month periods ended June 30, 2019 and 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of December 31, 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

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

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

/s/ DELOITTE & TOUCHE LLP

August 7, 2019

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

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

Forward-Looking Statements

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

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital Group, L.P. (together with New Mountain Capital, L.L.C. and its affiliates, "New Mountain Capital") whose ultimate owners include Steven B. Klinsky and related and other vehicles; and
- the risk factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2018 and in this quarterly report on Form 10-Q.

Forward-looking statements are identified by their use of such terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or similar expressions. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in *Item 1A.—Risk Factors* contained in our annual report on Form 10-K for the year ended December 31, 2018 and in this quarterly report on Form 10-Q.

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

Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through June 30, 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 other funds that may have investment mandates that are similar, in whole or in part, to ours. New Mountain Finance Administration,

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L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct our day-to-day operations.

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

- New Mountain Finance Holdings, L.L.C. ("NMF Holdings" or the "Predecessor Operating Company") and New Mountain Finance DB, L.L.C. ("NMFDB"), whose assets are used secure NMF Holdings' credit facility and NMFDB's credit facility, respectively;
- New Mountain Finance SBIC, L.P. ("SBIC I") and New Mountain Finance SBIC II, L.P. ("SBIC II"), who have received licenses from the United States ("U.S.") Small Business Administration ("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, New Mountain Finance SBIC G.P., L.L.C. ("SBIC I GP") and New Mountain Finance SBIC II G.P., L.L.C. ("SBIC II GP"), respectively;
- New Mountain Net Lease Corporation ("NMNLC"), which acquires commercial real properties that are subject to "triple net" leases has elected to be treated, and intends to comply with the requirements 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 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.

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 June 30, 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 June 30, 2019, our net asset value was approximately \$1,080.9 million and our portfolio had a fair value of approximately \$2,643.1 million in 101 portfolio companies, with a weighted average yield to maturity at cost for income producing investments ("YTM at Cost") of approximately 9.4% and a weighted average yield to maturity at cost for all investments ("YTM at Cost for Investments") of approximately 9.4%. 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 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 July 11, 2019, we completed a public offering of 6,900,000 shares of our common stock at a public offering price of \$13.68 per share. Our Investment Adviser paid a \$0.39 per share portion of the \$0.42 per share underwriters' sales load such that we received net proceeds of \$13.65 per share in this offering. All payments made by our Investment Adviser are not subject to reimbursement by us. We received total net proceeds of approximately \$94.2 million in connection with this offering.

Due to the untimely death of Kurt J. Wolfgruber on June 17, 2019, as of June 30, 2019, 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

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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 August 1, 2019, our board of directors declared a third quarter 2019 distribution of \$0.34 per share payable on September 27, 2019 to holders of record as of September 13, 2019.

Critical Accounting Policies

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

Basis of Accounting

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

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- b. Preliminary valuation conclusions will then be documented and discussed with our senior management;
- c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and
- d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

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

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

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

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

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

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

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

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

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period.

The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of June 30, 2019:

(in thousands)	Total	Level I	Level II	Level III
First lien	\$ 1,394,329	\$ —	\$ 196,176	\$ 1,198,153
Second lien	722,940	—	392,544	330,396
Subordinated	69,519	—	25,934	43,585
Equity and other	456,308	—	—	456,308
Total investments	<u>\$ 2,643,096</u>	<u>\$ —</u>	<u>\$ 614,654</u>	<u>\$ 2,028,442</u>

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

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

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

Market Based Approach: We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of June 30, 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 June 30, 2019, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

The unobservable inputs used in the fair value measurement of our Level III investments as of June 30, 2019 were as follows:

Type	Fair Value as of June 30, 2019	Approach	Unobservable Input	Range		Weighted Average			
				Low	High				
First lien	\$ 948,912	Market & income approach	EBITDA multiple	2.0x	32.0x	12.9x			
			Revenue multiple	3.5x	11.0x	6.6x			
			Discount rate	6.1%	15.3%	8.6%			
			160,107	Market quote	Broker quote	N/A	N/A	N/A	
			89,134	Other	N/A(1)	N/A	N/A	N/A	
Second lien	83,980	Market & income approach	EBITDA multiple	8.5x	13.5x	10.7x			
			Discount rate	9.9%	20.0%	12.6%			
			214,656	Market quote	Broker quote	N/A	N/A	N/A	
			31,760	Other	N/A(1)	N/A	N/A	N/A	
			Subordinated	43,585	Market & income approach	EBITDA multiple	5.0x	12.0x	9.8x
Discount rate	11.0%	22.0%				16.7%			
Equity and other	455,481	Market & income approach				EBITDA multiple	0.3x	19.5x	11.0x
						Discount rate	6.4%	26.1%	13.3%
						827	Black Scholes analysis	Expected life in years	6.8
			Volatility	29.2%	29.2%	29.2%			
			Discount rate	2.1%	2.1%	2.1%			
	<u>\$ 2,028,442</u>								

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

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions and, as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until 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 June 30, 2019, SLP I had total investments with an aggregate fair value of approximately \$341.2 million, debt outstanding of \$233.4 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 June 30, 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 and six months ended June 30, 2019, we earned approximately \$0.3 million and \$0.6 million, respectively, in management fees related to SLP I, which is included in other income. For the three and six months ended June 30, 2018, we earned approximately \$0.3 million and \$0.6 million, respectively, in management fees related to SLP I, which is included in other income. As of June 30, 2019 and December 31, 2018, approximately \$0.3 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three and six months ended June 30, 2019, we earned approximately \$0.8 million and \$1.5 million, respectively, of dividend income related to SLP I, which is included in

dividend income. For the three and six months ended June 30, 2018, we earned approximately \$0.8 million and \$1.6 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of June 30, 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

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, 2022. 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 June 30, 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 June 30, 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, 2022 and bears interest at a rate of LIBOR plus 1.60% per annum. As of June 30, 2019 and December 31, 2018, SLP II had total investments with an aggregate fair value of approximately \$364.3 million and \$336.9 million, respectively, and debt outstanding under its credit facility of \$267.7 million and \$243.2 million, respectively. As of June 30, 2019 and December 31, 2018, none of SLP II's investments were on non-accrual. Additionally, as of June 30, 2019 and December 31, 2018, SLP II had unfunded commitments in the form of delayed draws of \$4.1 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 June 30, 2019 and December 31, 2018:

(in thousands)	June 30, 2019		December 31, 2018	
First lien investments (1)	\$	373,248	\$	348,577
Weighted average interest rate on first lien investments (2)		6.67%		6.84%
Number of portfolio companies in SLP II		36		31
Largest portfolio company investment (1)	\$	17,063	\$	17,150
Total of five largest portfolio company investments (1)	\$	79,559	\$	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 June 30, 2019:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments - First lien:						
Access CIG, LLC	Business Services	6.19% (L + 3.75%)	2/27/2025	\$ 9,883	\$ 9,841	\$ 9,840
ADG, LLC	Healthcare Services	7.45% (L + 4.75% + 0.50% PIK)	9/28/2023	16,032	15,927	15,792
Bearcat Buyer, Inc.	Healthcare Services	6.56% (L + 4.25%)	7/9/2026	1,382	1,375	1,375
Brave Parent Holdings, Inc.	Software	6.58% (L + 4.00%)	4/18/2025	15,345	15,296	15,259
CentralSquare Technologies, LLC	Software	6.15% (L + 3.75%)	8/29/2025	14,925	14,891	14,771
CHA Holdings, Inc.	Business Services	6.83% (L + 4.50%)	4/10/2025	10,751	10,709	10,738
CHA Holdings, Inc.	Business Services	6.81% (L + 4.50%)	4/10/2025	2,057	2,047	2,055
CommerceHub, Inc.	Software	6.15% (L + 3.75%)	5/21/2025	2,475	2,464	2,438
Drilling Info Holdings, Inc.	Business Services	6.65% (L + 4.25%)	7/30/2025	14,770	14,712	14,696
Edgewood Partners Holdings LLC	Business Services	6.65% (L + 4.25%)	9/6/2024	6,381	6,321	6,365
Fastlane Parent Company, Inc.	Distribution & Logistics	6.83% (L + 4.50%)	2/4/2026	3,491	3,424	3,443
GOBP Holdings, Inc.	Retail	6.14% (L + 3.75%)	10/22/2025	1,639	1,635	1,640
Greenway Health, LLC	Software	6.08% (L + 3.75%)	2/16/2024	14,700	14,648	13,046
Idera, Inc.	Software	6.91% (L + 4.50%)	6/28/2024	14,928	14,821	14,966
Institutional Shareholder Services Inc.	Business Services	6.83% (L + 4.50%)	3/5/2026	13,965	13,829	13,860
J.D. Power (fka J.D. Power and Associates)	Business Services	6.15% (L + 3.75%)	9/7/2023	14,885	14,847	14,848
Keystone Acquisition Corp.	Healthcare Services	7.58% (L + 5.25%)	5/1/2024	5,306	5,266	5,194
LSCS Holdings, Inc.	Healthcare Services	6.58% (L + 4.25%)	3/17/2025	7,316	7,308	7,280
LSCS Holdings, Inc.	Healthcare Services	6.58% (L + 4.25%)	3/17/2025	1,889	1,886	1,879
Market Track, LLC	Business Services	6.65% (L + 4.25%)	6/5/2024	11,760	11,716	10,584
Medical Solutions Holdings, Inc.	Healthcare Services	6.15% (L + 3.75%)	6/14/2024	4,409	4,393	4,409
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	12,222	12,181	12,222
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	2,105	2,099	2,105
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	884	880	884
NorthStar Financial Services Group, LLC	Software	5.60% (L + 3.25%)	5/25/2025	5,885	5,859	5,804
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.66% (L + 5.25%)	4/29/2024	10,290	10,252	10,226
Poseidon Intermediate, LLC	Software	6.66% (L + 4.25%)	8/15/2022	14,654	14,651	14,678
Premise Health Holding Corp.	Healthcare Services	5.83% (L + 3.50%)	7/10/2025	1,379	1,373	1,371
Project Accelerate Parent, LLC	Business Services	6.66% (L + 4.25%)	1/2/2025	14,813	14,751	14,775
PSC Industrial Holdings Corp.	Industrial Services	6.14% (L + 3.75%)	10/11/2024	10,343	10,261	10,327
Quartz Holding Company	Software	6.44% (L + 4.00%)	4/2/2026	4,000	3,980	3,995
Quest Software US Holdings Inc.	Software	6.83% (L + 4.25%)	5/16/2025	14,925	14,860	14,729
Salient CRGT Inc.	Federal Services	8.40% (L + 6.00%)	2/28/2022	13,321	13,244	12,789
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.83% (L + 4.25%)	7/30/2025	8,933	8,913	8,894
The Ultimate Software Group Inc.	Software	6.08% (L + 3.75%)	5/4/2026	5,000	4,988	5,014
Wirepath LLC	Distribution & Logistics	6.33% (L + 4.00%)	8/5/2024	14,888	14,888	14,813
WP CityMD Bidco LLC	Healthcare Services	5.83% (L + 3.50%)	6/7/2024	10,768	10,748	10,761
Wrench Group LLC	Consumer Services	6.45% (L + 4.25%)	4/30/2026	4,500	4,456	4,500
YI, LLC	Healthcare Services	6.33% (L + 4.00%)	11/7/2024	14,877	14,866	14,858
Zywave, Inc.	Software	7.58% (L + 5.00%)	11/17/2022	17,063	17,010	17,063
Total Funded Investments				\$ 369,139	\$ 367,616	\$ 364,286
Unfunded Investments - First lien:						
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	\$ 284	\$ (1)	\$ (1)
CHA Holdings, Inc.	Business Services	—	10/10/2019	86	—	—
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)
Wrench Group LLC	Consumer Services	—	4/30/2021	1,500	—	—
Total Unfunded Investments				\$ 4,109	\$ (17)	\$ (5)
Total Investments				\$ 373,248	\$ 367,599	\$ 364,281

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- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L). For each investment, the current interest rate provided reflects the rate in effect as of June 30, 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.

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

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments - First lien						
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	6.27% (L + 3.75%)	8/29/2025	15,000	14,964	14,648
CHA Holdings, Inc.	Business Services	7.30% (L + 4.50%)	4/10/2025	10,805	10,760	10,774
CommerceHub, Inc.	Software	6.27% (L + 3.75%)	5/21/2025	2,488	2,476	2,419
Drilling Info Holdings, Inc.	Business 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	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
Total Funded Investments				\$ 342,719	\$ 341,269	\$ 336,914
Unfunded Investments - First lien						
Access CIG, LLC	Business Services	—	2/27/2019	\$ 1,108	\$ —	\$ (28)
CHA Holdings, Inc.	Business Services	—	10/10/2019	2,143	(11)	(6)
Drilling Info Holdings, Inc.	Business Services	—	7/30/2020	1,230	(5)	(10)
Ministry Brands, LLC	Software	—	10/18/2019	1,267	(6)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	110	—	(1)
Total Unfunded Investments				5,858	(22)	(45)
Total Investments				\$ 348,577	\$ 341,247	\$ 336,869

- (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 June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

Selected Balance Sheet Information:	June 30, 2019	December 31, 2018
	(in thousands)	(in thousands)
Investments at fair value (cost of \$367,599 and \$341,247, respectively)	\$ 364,281	\$ 336,869
Cash and other assets	8,792	7,620
Total assets	\$ 373,073	\$ 344,489
Credit facility	\$ 267,670	\$ 243,170
Deferred financing costs	(1,852)	(1,374)
Payable for unsettled securities purchased	3,861	—
Distribution payable	3,500	3,250
Other liabilities	2,872	2,869
Total liabilities	276,051	247,915
Members' capital	\$ 97,022	\$ 96,574
Total liabilities and members' capital	\$ 373,073	\$ 344,489

Selected Statement of Operations Information:	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Interest income	\$ 6,345	\$ 6,134	\$ 12,568	\$ 11,764
Other income	32	36	58	58
Total investment income	6,377	6,170	12,626	11,822
Interest and other financing expenses	2,966	2,553	5,739	4,981
Other expenses	144	140	279	364
Total expenses	3,110	2,693	6,018	5,345
Less: expenses waived and reimbursed	(20)	—	(20)	—
Net expenses	3,090	2,693	5,998	5,345
Net investment income	3,287	3,477	6,628	6,477
Net realized gains on investments	253	180	261	633
Net change in unrealized (depreciation) appreciation of investments	(487)	(957)	1,060	(280)
Net increase in members' capital	\$ 3,053	\$ 2,700	\$ 7,949	\$ 6,830

For the three and six months ended June 30, 2019, we earned approximately \$2.8 million and \$6.0 million, respectively, of dividend income related to SLP II, which is included in dividend income. For the three and six months ended June 30, 2018, we earned approximately \$3.2 million and \$5.8 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of June 30, 2019 and December 31, 2018, approximately \$2.8 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

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

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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 June 30, 2019, we and SkyKnight II have committed \$100.0 million and \$25.0 million, respectively, of equity to SLP III. As of June 30, 2019, the Company and SkyKnight II have 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 June 30, 2019 and December 31, 2018.

On May 2, 2018, SLP III closed its 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. Effective June 24, 2019, SLP III's revolving credit facility has a maximum borrowing capacity of \$375.0 million. As of June 30, 2019 and December 31, 2018, SLP III had total investments with an aggregate fair value of approximately \$441.7 million and \$365.4 million, respectively, and debt outstanding under its credit facility of \$288.3 million and \$280.3 million, respectively. As of June 30, 2019 and December 31, 2018, none of SLP III's investments were on non-accrual. Additionally, as of June 30, 2019 and December 31, 2018, SLP III had unfunded commitments in the form of delayed draws of \$11.9 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 June 30, 2019 and December 31, 2018:

(in thousands)	June 30, 2019		December 31, 2018	
First lien investments (1)	\$	459,743	\$	383,289
Weighted average interest rate on first lien investments (2)		6.36%		6.50%
Number of portfolio companies in SLP III		46		39
Largest portfolio company investment (1)	\$	24,000	\$	18,958
Total of five largest portfolio company investments (1)	\$	94,581	\$	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 June 30, 2019:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments - First lien						
Access CIG, LLC	Business Services	6.19% (L + 3.75%)	2/27/2025	\$ 1,210	\$ 1,210	\$ 1,204
Affordable Care Holding Corp.	Healthcare Services	7.23% (L + 4.75%)	10/24/2022	5,994	5,902	5,844
BCPE Empire Holdings, Inc.	Distribution & Logistics	6.40% (L + 4.00%)	6/10/2026	9,190	9,098	9,167
Bearcat Buyer, Inc.	Healthcare Services	6.56% (L + 4.25%)	7/9/2026	19,902	19,803	19,803
Bracket Intermediate Holding Corp.	Healthcare Services	6.82% (L + 4.25%)	9/5/2025	14,888	14,820	14,850
Brave Parent Holdings, Inc.	Software	6.58% (L + 4.00%)	4/18/2025	14,850	14,803	14,766
CentralSquare Technologies, LLC	Software	6.15% (L + 3.75%)	8/29/2025	14,925	14,891	14,771
Certara Holdco, Inc.	Healthcare I.T.	5.83% (L + 3.50%)	8/15/2024	1,269	1,273	1,262
CHA Holdings, Inc.	Business Services	6.83% (L + 4.50%)	4/10/2025	992	992	991
CommerceHub, Inc.	Software	6.15% (L + 3.75%)	5/21/2025	14,850	14,785	14,627
Covenant Surgical Partners, Inc.	Healthcare Services	6.40% (L + 4.25%)	7/1/2026	10,000	9,900	9,963
CRCI Longhorn Holdings, Inc.	Business Services	5.91% (L + 3.50%)	8/8/2025	14,887	14,821	14,739
Dentalcorp Health Services ULC (fka Dentalcorp Perfect Smile ULC)	Healthcare Services	6.15% (L + 3.75%)	6/6/2025	14,860	14,828	14,715
Drilling Info Holdings, Inc.	Business Services	6.65% (L + 4.25%)	7/30/2025	18,798	18,713	18,704
Edgewood Partners Holdings LLC	Business Services	6.65% (L + 4.25%)	9/6/2024	6,381	6,321	6,365
Fastlane Parent Company, Inc.	Distribution & Logistics	6.83% (L + 4.50%)	2/4/2026	3,491	3,424	3,443
Greenway Health, LLC	Software	6.08% (L + 3.75%)	2/16/2024	14,746	14,755	13,088
Heartland Dental, LLC	Healthcare Services	6.15% (L + 3.75%)	4/30/2025	18,410	18,330	17,520
Idera, Inc.	Software	6.91% (L + 4.50%)	6/28/2024	9,783	9,740	9,807
Institutional Shareholder Services Inc.	Business Services	6.83% (L + 4.50%)	3/5/2026	998	988	990
J.D. Power (fka J.D. Power and Associates)	Business Services	6.15% (L + 3.75%)	9/7/2023	5,954	5,954	5,939
Kestra Advisor Services Holdings A, Inc.	Business Services	6.78% (L + 4.25%)	6/3/2026	9,500	9,420	9,464
Market Track, LLC	Business Services	6.65% (L + 4.25%)	6/5/2024	4,802	4,797	4,322
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	4,572	4,555	4,572
Ministry Brands, LLC	Software	6.33% (L + 4.00%)	12/2/2022	884	880	884
National Intergovernmental Purchasing Alliance Company	Business Services	6.08% (L + 3.75%)	5/23/2025	14,850	14,838	14,664
Navex Topco, Inc.	Software	5.66% (L + 3.25%)	9/5/2025	14,887	14,819	14,620
Navicure, Inc.	Healthcare Services	6.15% (L + 3.75%)	11/1/2024	2,970	2,970	2,953
Netsmart Technologies, Inc.	Healthcare I.T.	6.15% (L + 3.75%)	4/19/2023	10,384	10,384	10,296
Newport Group Holdings II, Inc.	Business Services	6.15% (L + 3.75%)	9/12/2025	4,963	4,940	4,922
NorthStar Financial Services Group, LLC	Software	5.60% (L + 3.25%)	5/25/2025	11,770	11,719	11,609
OECConnection LLC	Business Services	6.41% (L + 4.00%)	11/22/2024	1,821	1,833	1,807
Outcomes Group Holdings, Inc.	Healthcare Services	6.02% (L + 3.50%)	10/24/2025	6,468	6,453	6,395
Pelican Products, Inc.	Business Products	5.91% (L + 3.50%)	5/1/2025	4,950	4,939	4,876
Peraton Corp. (fka MHVC Acquisition Corp.)	Federal Services	7.66% (L + 5.25%)	4/29/2024	15,509	15,444	15,412
Premise Health Holding Corp.	Healthcare Services	5.83% (L + 3.50%)	7/10/2025	13,793	13,731	13,712
Project Accelerate Parent, LLC	Business Services	6.66% (L + 4.25%)	1/2/2025	9,975	9,925	9,950
Quartz Holding Company	Software	6.44% (L + 4.00%)	4/2/2026	2,000	1,990	1,998
Quest Software US Holdings Inc.	Software	6.83% (L + 4.25%)	5/16/2025	14,925	14,860	14,729
Refinitiv US Holdings Inc. (fka Financial & Risk US Holdings, Inc.)	Business Services	6.15% (L + 3.75%)	10/1/2025	7,960	7,942	7,734
Sierra Enterprises, LLC	Food & Beverage	6.40% (L + 4.00%)	11/11/2024	2,469	2,466	2,463
Spring Education Group, Inc. (fka SSH Group Holdings, Inc.)	Education	6.83% (L + 4.25%)	7/30/2025	14,887	14,854	14,822
TIBCO Software Inc.	Software	6.40% (L + 4.00%)	6/30/2026	5,500	5,473	5,515
VT Topco, Inc.	Business Services	6.08% (L + 3.75%)	8/1/2025	7,940	7,922	7,923
VT Topco, Inc.	Business Services	6.08% (L + 3.75%)	8/1/2025	1,646	1,642	1,642
Wirepath LLC	Distribution & Logistics	6.33% (L + 4.00%)	8/5/2024	17,389	17,389	17,303
WP CityMD Bidco LLC	Healthcare Services	5.83% (L + 3.50%)	6/7/2024	14,812	14,812	14,802
YI, LLC	Healthcare Services	6.33% (L + 4.00%)	11/7/2024	9,841	9,834	9,829
Total Funded Investments				\$ 447,845	\$ 446,182	\$ 441,776

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Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
Unfunded Investments - First lien						
BCPE Empire Holdings, Inc.	Distribution & Logistics	—	6/11/2021	\$ 1,810	\$ —	\$ (5)
Bearcat Buyer, Inc.	Healthcare Services	—	7/9/2021	4,097	(20)	(20)
Covenant Surgical Partners, Inc.	Healthcare Services	—	7/1/2021	2,000	(20)	(7)
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	—	(20)
Ministry Brands, LLC	Software	—	10/18/2019	980	(5)	—
Premise Health Holding Corp.	Healthcare Services	—	7/10/2020	1,103	(3)	(7)
VT Topco, Inc.	Business Services	—	8/1/2020	345	—	(1)
Total Unfunded Investments				\$ 11,898	\$ (59)	\$ (63)
Total Investments				\$ 459,743	\$ 446,123	\$ 441,713

- (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 June 30, 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:

Portfolio Company and Type of Investment	Industry	Interest Rate (1)	Maturity Date	Principal Amount or Par Value	Cost	Fair Value (2)
				(in thousands)	(in thousands)	(in thousands)
Funded Investments - First lien						
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
Navicare, 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.	Education	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	6.03% (L + 3.50%)	7/17/2025	3,790	3,772	3,759
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	7,980	7,961	7,882
VT Topco, Inc.	Business Services	6.55% (L + 3.75%)	8/1/2025	1,004	1,004	992
Wirepath LLC	Distribution & Logistics	6.71% (L + 4.00%)	8/5/2024	17,477	17,477	17,215
WP CityMD Bidco LLC	Healthcare Services	6.30% (L + 3.50%)	6/7/2024	14,887	14,887	14,608
YI, LLC	Healthcare Services	6.80% (L + 4.00%)	11/7/2024	4,965	4,983	4,935
Total Funded Investments				\$ 374,478	\$ 373,443	\$ 365,497
Unfunded Investments - First lien						
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)
Total Unfunded Investments				\$ 8,811	\$ (21)	\$ (140)
Total Investments				\$ 383,289	\$ 373,422	\$ 365,357

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- (1) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L). 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 June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and June 30, 2018:

Selected Balance Sheet Information:	June 30, 2019		December 31, 2018	
	(in thousands)		(in thousands)	
Investments at fair value (cost of \$446,123 and \$373,422)	\$	441,713	\$	365,357
Cash and other assets		8,912		9,138
Total assets	\$	450,625	\$	374,495
Credit facility	\$	288,300	\$	280,300
Deferred financing costs		(2,737)		(2,831)
Payable for unsettled securities purchased		63,615		—
Distribution payable		2,750		2,600
Other liabilities		3,463		4,456
Total liabilities		355,391		284,525
Members' capital	\$	95,234	\$	89,970
Total liabilities and members' capital	\$	450,625	\$	374,495

Selected Statement of Operations Information:	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018(1)	June 30, 2019	June 30, 2018(1)
	(in thousands)		(in thousands)	
Interest income	\$ 6,267	\$ 790	\$ 12,560	\$ 790
Other income	78	22	148	22
Total investment income	6,345	812	12,708	812
Interest and other financing expenses	3,350	574	6,741	574
Other expenses	165	226	303	226
Total expenses	3,515	800	7,044	800
Less: expenses waived and reimbursed	(22)	—	(22)	—
Net expenses	3,493	800	7,022	800
Net investment income	2,852	12	5,686	12
Net realized gains on investments	37	—	70	—
Net change in unrealized appreciation of investments	688	618	3,655	618
Net increase in members' capital	\$ 3,577	\$ 630	\$ 9,411	\$ 630

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

For the three and six months ended June 30, 2019, we earned approximately \$2.2 million and \$4.9 million of dividend income related to SLP III, which is included in dividend income. For the three and six months ended June 30, 2018, we did not earn any dividend income related to SLP III. As of June 30, 2019 and December 31, 2018 approximately \$2.2 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 June 30, 2019.

Below is certain summarized property information for NMNLC as of June 30, 2019:

Portfolio Company	Tenant	Lease Expiration Date	Location	Total Square Feet	Fair Value as of June 30, 2019
				(in thousands)	(in thousands)
NM NL Holdings LP / NM GP Holdco LLC	Various	Various	Various	Various	\$ 34,611
NM GLCR LP	Arctic Glacier U.S.A.	2/28/2038	CA	214	20,918
NM CLFX LP	Victor Equipment Company	8/31/2033	TX	423	12,725
NM APP Canada Corp.	A.P. Plasman, Inc.	9/30/2031	Canada	436	9,949
NM APP US LLC	Plasman Corp, LLC / A-Brite LP	9/30/2033	AL / OH	261	6,101
NM DRVT LLC	FMH Conveyors, LLC	10/31/2031	AR	195	5,704
NM KRLN LLC	Kirlin Group, LLC	6/30/2029	MD	95	4,386
NM JRA LLC	J.R. Automation Technologies, LLC	1/31/2031	MI	88	3,500
					<u>\$ 97,894</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 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 June 30, 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 “Trustee”) for Black Elk informed us that the Trustee intended to assert a fraudulent conveyance claim (the “Claim”) against us and one of its affiliates seeking the return of the \$20.5 million repayment. Black Elk filed a Chapter 11 bankruptcy petition pursuant to the United States Bankruptcy Code in August 2015. The Trustee alleges that individuals affiliated with the private hedge fund conspired with Black Elk and others to improperly use proceeds from the sale of certain Black Elk assets to repay, in August 2014, the private hedge fund’s obligation to us under the SPP Agreement. We were unaware of these claims at the time the repayment was received. The private hedge fund is currently in liquidation under the laws of the Cayman Islands.

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On December 22, 2017, we settled the Trustee's \$20.5 million Claim for \$16.0 million and filed a claim with the Cayman Islands joint official liquidators of the private hedge fund for \$16.0 million that is owed to us under the SPP 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 June 30, 2019 and December 31, 2018, the SPP Agreement had 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 and certain preferred equity investments in the portfolio that contain a payment-in-kind ("PIK") interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three and six months ended June 30, 2019, we recognized PIK and non-cash interest from investments of approximately \$3.1 million and \$6.1 million, respectively, and PIK and non-cash dividends from investments of approximately \$4.5 million and \$8.8 million, respectively. For the three and six months ended June 30, 2018, we recognized PIK and non-cash interest from investments of approximately \$1.9 million and \$3.6 million, respectively, and PIK and non-cash dividends from investments of approximately \$7.0 million and \$13.8 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

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

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of June 30, 2019:

(in millions)	As of June 30, 2019			
	Cost	Percent	Fair Value	Percent
Investment Rating 1	\$ 187.7	7.2%	\$ 190.6	7.2%
Investment Rating 2	2,429.3	92.7%	2,452.5	92.8%
Investment Rating 3	—	—%	—	—%
Investment Rating 4	1.5	0.1%	0.0	0.0%
	\$ 2,618.5	100.0%	\$ 2,643.1	100.0%

As of June 30, 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 June 30, 2019, our investments in EDMC with an Investment Rating of 4 had an aggregate cost basis of approximately \$1.5 million, an aggregate fair value of approximately less than \$0.1 million and total unearned interest income of approximately less than \$0.1 million and approximately \$0.1 million, respectively, for the three and six months then ended.

Portfolio and Investment Activity

The fair value of our investments was approximately \$2,643.1 million in 101 portfolio companies at June 30, 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 six months ended June 30, 2019 and June 30, 2018:

(in millions)	Six Months Ended	
	June 30, 2019	June 30, 2018
New investments in 32 and 41 portfolio companies, respectively	\$ 341.7	\$ 560.5
Debt repayments in existing portfolio companies	74.3	238.1
Sales of securities in 0 and 6 portfolio companies, respectively	—	58.7
Change in unrealized appreciation on 43 and 34 portfolio companies, respectively	31.0	30.0
Change in unrealized depreciation on 54 and 60 portfolio companies, respectively	(18.7)	(27.1)

Recent Accounting Standards Updates

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

Results of Operations for the Three Months Ended June 30, 2019 and June 30, 2018

Revenue

(in thousands)	Three Months Ended	
	June 30, 2019	June 30, 2018
Interest income	\$ 51,635	\$ 40,090
Total dividend income	12,575	12,346
Other income	2,255	2,162
Total investment income	\$ 66,465	\$ 54,598

Our total investment income increased by approximately \$11.9 million, or 22%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018. For the three months ended June 30, 2019, total investment income

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of approximately \$66.5 million consisted of approximately \$47.1 million in cash interest from investments, approximately \$3.1 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 \$1.4 million, approximately \$8.1 million in cash dividends from investments, approximately \$4.5 million in PIK and non-cash dividends from investments and approximately \$2.2 million in other income. The increase in interest income of approximately \$11.5 million during the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 was primarily due to increased interest income which is attributable to larger invested balances and higher LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 and June 2019 convertible notes issuances, proceeds from our July 2018, September 2018 and April 2019 unsecured notes issuances, higher drawn balances on our Holdings Credit Facility (as defined below), borrowings from our DB Credit Facility (as defined below) and proceeds from the February 2019 public offering of our common stock all of which contributed to the origination of new investments. Also contributing to the increase in total investment income is the increase in dividend income of approximately \$0.2 million which is due to cash distributions from our investments in NMNLC and SLP III and PIK and non-cash dividend income from six portfolio companies where we hold equity positions. Other income during the three months ended June 30, 2019, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, commitment, consent and amendment fees received from 12 different portfolio companies and management fees from a non-controlled affiliated portfolio company.

Operating Expenses

(in thousands)	Three Months Ended	
	June 30, 2019	June 30, 2018
Management fee	\$ 11,640	\$ 9,301
Less: management fee waiver	(2,823)	(1,495)
Total management fee	8,817	7,806
Incentive fee	6,987	6,430
Interest and other financing expenses	20,719	12,824
Professional fees	886	708
Administrative expenses	1,049	822
Other general and administrative expenses	398	518
Total expenses	38,856	29,108
Less: expenses waived and reimbursed	(335)	(276)
Net expenses before income taxes	38,521	28,832
Income tax expense	(4)	45
Net expenses after income taxes	\$ 38,517	\$ 28,877

Our total net operating expenses increased by approximately \$9.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018. Our management fee increased by approximately \$1.0 million, net of a management fee waiver, and our incentive fee increased by approximately \$0.6 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018. The increase in management and incentive fees was attributable to larger invested balances, driven by the proceeds from our convertible notes issuances, 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 June 30, 2019 as compared to the three months ended June 30, 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 higher LIBOR rates. Our total professional fees, administrative expenses and total other general and administrative expenses for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 remained relatively flat.

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

(in thousands)	Three Months Ended	
	June 30, 2019	June 30, 2018
Net realized gains (losses) on investments	\$ 52	\$ (6,609)
Net change in unrealized (depreciation) appreciation of investments	(3,985)	5,087
Net change in unrealized depreciation securities purchased under collateralized agreements to resell	—	—
Provision for taxes	(270)	(1,066)
Net realized and unrealized losses	\$ (4,203)	\$ (2,588)

Our net realized gains and unrealized losses resulted in a net loss of approximately \$4.2 million for the three months ended June 30, 2019 compared to net realized losses and unrealized gains resulting in a net loss of approximately \$2.6 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 loss for the three months ended June 30, 2019 was primarily driven by the overall decrease in market prices of our investments during the period. The provision for income taxes was attributable to equity investments that are held as of June 30, 2019 in three of our corporate subsidiaries. The net loss for the three months ended June 30, 2018 was primarily driven by the realized loss on our investment American Tire Distributors ("ATD"), which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier. Our realized losses were partially offset by the overall increase in the market prices of our investments during the period.

Results of Operations for the Six Months Ended June 30, 2019 and June 30, 2018

Revenue

(in thousands)	Six Months Ended	
	June 30, 2019	June 30, 2018
Interest income	\$ 99,559	\$ 76,829
Total dividend income	26,068	24,703
Other income	5,029	5,955
Total investment income	\$ 130,656	\$ 107,487

Our total investment income increased by approximately \$23.2 million, or 22%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. For the six months ended June 30, 2019, total investment income of approximately \$130.7 million consisted of approximately \$91.1 million in cash interest from investments, approximately \$6.1 million in PIK and non-cash interest from investments, approximately \$0.2 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$2.2 million, approximately \$17.3 million in cash dividends from investments, approximately \$8.8 million in PIK and non-cash dividends from investments and approximately \$5.0 million in other income. The increase in interest income of approximately \$22.7 million during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 was primarily due to increased interest income which is attributable to larger invested balances and higher LIBOR rates. Our larger invested balances were driven by the proceeds from our August 2018 and June 2019 convertible notes issuances, proceeds from our July 2018, September 2018 and April 2019 unsecured notes issuances, higher drawn balances on our Holdings Credit Facility (as defined below), borrowings from our DB Credit Facility (as defined below) and proceeds from our February 2019 public offering of our common stock all of which contributed to the origination of new investments. Also contributing to the increase in total investment income is the increase in dividend income of approximately \$1.4 million which is due to cash distributions from our investments in NMNLC and SLP III and PIK and non-cash dividend income from six portfolio companies where we hold equity positions. Other income during the six months ended June 30, 2019, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, commitment, consent and amendment fees received from seventeen different portfolio companies and management fees from a non-controlled affiliated portfolio company.

Operating Expenses

(in thousands)	Six Months Ended	
	June 30, 2019	June 30, 2018
Management fee	\$ 22,615	\$ 17,993
Less: management fee waiver	(5,356)	(2,817)
Total management fee	17,259	15,176
Incentive fee	13,850	12,864
Interest and other financing expenses	39,865	24,114
Professional fees	1,652	1,402
Administrative expenses	2,144	1,761
Other general and administrative expenses	810	928
Total expenses	75,580	56,245
Less: expenses waived and reimbursed	(335)	(276)
Net expenses before income taxes	75,245	55,969
Income tax expense	13	61
Net expenses after income taxes	\$ 75,258	\$ 56,030

Our total net operating expenses increased by approximately \$19.2 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. Our management fee increased by approximately \$2.1 million, net of a management fee waiver, and our incentive fee increased by approximately \$1.0 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The increase in management and incentive fees was attributable to larger invested balances, driven by the proceeds from our convertible notes issuances, 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 \$15.8 million during the six months ended June 30, 2019 as compared to the six months ended June 30, 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 higher LIBOR rates. Our total professional fees, administrative expenses and total other general and administrative expenses for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 remained relatively flat.

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

(in thousands)	Six Months Ended	
	June 30, 2019	June 30, 2018
Net realized gains (losses) on investments	\$ 98	\$ (6,403)
Net change in unrealized appreciation of investments	12,329	2,919
Net change in unrealized depreciation securities purchased under collateralized agreements to resell	—	(12)
Provision for taxes	(160)	(984)
Net realized and unrealized gains (losses)	\$ 12,267	\$ (4,480)

Our net realized and unrealized gains resulted in a net gain of approximately \$12.3 million for the six months ended June 30, 2019 compared to net realized losses and unrealized gains resulting in a net loss of approximately \$4.5 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 six months ended June 30, 2019 was primarily driven by the overall increase in market prices of our investments during the period. The provision for income taxes was attributable to equity investments that are held as of June 30, 2019 in three of our corporate subsidiaries. The net loss for the six months ended June 30, 2018 was primarily driven by the realized loss on our investment in ATD, which was sold during the quarter ended June 30, 2018 due to ATD's reported loss of its largest supplier.

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.

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.

Since our IPO, and through June 30, 2019, we raised approximately \$673.9 million in net proceeds from additional offerings of our common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. As permitted by the Small Business Credit Availability Act (the "SBCA") on June 8, 2018 our shareholders 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, which resulted in the reduction from 200.0% to 150.0% of the minimum asset coverage ratio applicable to us as of 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 the we are required to maintain under the 1940 Act. The agreements governing the NMFC Credit Facility, the 2018 Convertible Notes and the Unsecured Notes (as defined below) contain certain covenants and terms, including a requirement that we not exceed a debt-to-equity ratio of 1.65 to 1.00 at the time of incurring additional indebtedness and a requirement that we not exceed a secured debt ratio of 0.70 to 1.00 at any time. As of June 30, 2019, our asset coverage ratio was 175.1%.

At June 30, 2019 and December 31, 2018, we had cash and cash equivalents of approximately \$87.2 million and \$49.7 million, respectively. Our cash used in operating activities during the six months ended June 30, 2019 and June 30, 2018 was approximately \$169.7 million and \$158.3 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 May 7, 2019, the maturity date of the Holdings Credit Facility is October 24, 2022, and the maximum facility amount is the lesser of \$800.0 million and the actual commitments of the lenders to make advances as of such date.

As of June 30, 2019, the maximum amount of revolving borrowings available under the Holdings Credit Facility is \$720.0 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).

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 6.4	\$ 3.6	\$ 12.7	\$ 6.7
Non-usage fee	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.4
Amortization of financing costs	\$ 0.7	\$ 0.6	\$ 1.4	\$ 1.2
Weighted average interest rate	4.5%	4.1%	4.5%	4.0%
Effective interest rate	5.1%	5.0%	5.1%	5.0%
Average debt outstanding	\$ 565.9	\$ 351.5	\$ 566.1	\$ 337.3

As of June 30, 2019 and December 31, 2018, the outstanding balance on the Holdings Credit Facility was \$549.1 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 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 June 30, 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 and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 1.2	\$ 1.5	\$ 2.2	\$ 2.4
Non-usage fee	\$ — (1)	\$ — (1)	\$ 0.1	\$ 0.1
Amortization of financing costs	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2
Weighted average interest rate	5.0%	4.5%	5.0%	4.4%
Effective interest rate	5.6%	4.9%	5.8%	5.0%
Average debt outstanding	\$ 92.5	\$ 135.8	\$ 87.0	\$ 108.9

(1) For the three months ended June 30, 2019 and June 30, 2018, the total non-usage fees were less than \$50 thousand.

As of June 30, 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 and as amended from time to time, 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 June 30, 2019, the maximum amount of revolving borrowings available under the DB Credit Facility was \$150.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the 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.

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. Prior to June 28, 2019, the "Applicable Margin" was equal to 2.85% during the Revolving Period and then increases by 0.20% during an Event of Default. Effective June 28, 2019, the Applicable Margin is equal to 2.60% 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) and a facility agent fee of 0.25% per annum on the total facility amount.

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the DB Credit Facility for the three and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018(1)	June 30, 2019	June 30, 2018(1)
Interest expense(2)	\$ 0.9	\$ —	\$ 1.4	\$ —
Non-usage fee(2)	\$ — (3)	\$ —	\$ 0.1	\$ —
Amortization of financing costs	\$ 0.1	\$ —	\$ 0.2	\$ —
Weighted average interest rate	5.5%	—%	5.5%	—%
Effective interest rate	6.3%	—%	6.6%	—%
Average debt outstanding	\$ 66.9	\$ —	\$ 52.7	\$ —

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

(2) Interest expense includes the portion of the facility agent fee applicable to the drawn portion of the DB Credit Facility and non-usage fee includes the portion of the facility agent fee applicable to the undrawn portion of the DB Credit Facility.

(3) For the three months ended June 30, 2019, the total non-usage fees were less than \$50 thousand.

As of June 30, 2019 and December 31, 2018, the outstanding balance on the DB Credit Facility was \$100.0 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 June 30, 2019, the maximum amount of revolving borrowings available under the NMNL Credit Facility was \$30.0 million. For the three months ended June 30, 2019, interest expense, non-usage fees and amortization of financing costs

were each less than \$50 thousand. For the six months ended June 30, 2019, interest expense and non-usage fees were each less than \$50 thousand and amortization of financing costs were and \$0.1 million. As of June 30, 2019 and December 31, 2018, the outstanding balance on the NMNLC Credit Facility was \$0 and NMNLC was in compliance with the applicable covenants in the NMNLC Credit Facility on such dates.

Convertible Notes

2014 Convertible Notes—On June 3, 2014, we closed a private offering of \$115.0 million aggregate principal amount of unsecured convertible notes (the “2014 Convertible Notes”), pursuant to an indenture, dated June 3, 2014 (the “2014 Indenture”). The 2014 Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the 2014 Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, we closed a public offering of an additional \$40.3 million aggregate principal amount of the 2014 Convertible Notes. These additional 2014 Convertible Notes constituted a further issuance of, ranked equally in right of payment with, and formed 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 bore 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 matured on June 15, 2019.

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

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 “2018 Convertible Notes” and together with the 2014 Convertible Notes, the “Convertible Notes”), pursuant to an indenture, dated August 20, 2018, as supplemented by a first supplemental indenture thereto, dated August 20, 2018 (together the “2018A Indenture”). On August 30, 2018, in connection with the registered public offering, we issued an additional \$15.0 million aggregate principal amount of the 2018 Convertible Notes pursuant to the exercise of an overallotment option by the underwriter of the 2018 Convertible Notes. On June 7, 2019, we closed a registered public offering of an additional \$86.3 million aggregate principal amount of the 2018 Convertible Notes. These additional 2018 Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115.0 million aggregate principal amount of 2018 Convertible Notes that we issued in August 2018.

The 2018 Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on February 15 and August 15 of each year, which commenced on February 15, 2019. The 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 2018 Convertible Notes prior to May 15, 2023. On or after May 15, 2023, we may redeem the 2018 Convertible Notes for cash, in whole or from time to time in part, at 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 2018 Convertible Notes to be redeemed, (ii) accrued and unpaid interest thereon to, but excluding, the redemption date and (iii) a make-whole premium.

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

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

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The following table summarizes certain key terms related to the convertible features of our 2018 Convertible Notes as of June 30, 2019.

2018 Convertible Notes	
Initial conversion premium	10.0%
Initial conversion rate(1)	65.8762
Initial conversion price	\$ 15.18
Conversion premium at June 30, 2019	10.0%
Conversion rate at June 30, 2019(1)(2)	65.8762
Conversion price at June 30, 2019(2)(3)	\$ 15.18
Last conversion price calculation date	August 20, 2018

- (1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the 2018 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 June 30, 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 \$13.80 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 72.4637 per \$1.0 thousand principal amount. We have determined that the embedded conversion option in the 2018 Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

The 2018 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 2018 Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 3.6	\$ 2.0	\$ 7.2	\$ 3.9
Amortization of financing costs	\$ 0.3	\$ 0.3	\$ 0.6	\$ 0.6
Amortization of premium	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)
Weighted average interest rate	5.4%	5.0%	5.4%	5.0%
Effective interest rate	5.7%	5.7%	5.8%	5.7%
Average debt outstanding	\$ 265.7	\$ 155.3	\$ 268.0	\$ 155.3

As of June 30, 2019 and December 31, 2018, the outstanding balance on the Convertible Notes was \$201.2 million and \$270.3 million, respectively, and NMFC was in compliance with the terms of the 2018A Indenture on such date.

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

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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"). On April 30, 2019, we issued \$116.5 million in aggregate principal amount of five year unsecured notes that mature on April 30, 2024 (the "2019A Unsecured Notes") pursuant to the NPA and a fourth supplement to the NPA. 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. The 2019A Unsecured Notes bear interest at an annual rate of 5.494%, payable semi-annually on April 15 and October 15 of each year, commencing on October 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 (the "5.75% Unsecured Notes" and together with the 2016 Unsecured Notes, 2017A Unsecured Notes, 2018A Unsecured Notes, 2018B Unsecured Notes and 2019A 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 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 "NMFV."

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.

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019(1)	June 30, 2018(2)	June 30, 2019(1)	June 30, 2018(2)
Interest expense	\$ 5.4	\$ 2.9	\$ 9.8	\$ 5.5
Amortization of financing costs	\$ 0.3	\$ 0.1	\$ 0.6	\$ 0.3
Weighted average interest rate	5.2%	5.0%	5.2%	5.1%
Effective interest rate	5.5%	5.3%	5.6%	5.4%
Average debt outstanding	\$ 416.1	\$ 235.0	\$ 376.7	\$ 220.6

- (1) For the three and six months ended June 30, 2019, amounts reported include interest and amortization of financing costs related to the 2019A Unsecured Notes for the period from April 30, 2019 (issuance date of the 2019A Unsecured Notes) to June 30, 2019.
- (2) For the three and six months ended June 30, 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 June 30, 2018.

As of June 30, 2019 and December 31, 2018, the outstanding balance on the Unsecured Notes was \$453.3 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.

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As of June 30, 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 June 30, 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 June 30, 2019.

(in millions)

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

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

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

The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three and six months ended June 30, 2019 and June 30, 2018.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Interest expense	\$ 1.4	\$ 1.2	\$ 2.7	\$ 2.4
Amortization of financing costs	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3
Weighted average interest rate	3.3%	3.2%	3.3%	3.2%
Effective interest rate	3.6%	3.6%	3.6%	3.5%
Average debt outstanding	\$ 165.0	\$ 154.3	\$ 165.0	\$ 152.2

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 June 30, 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 June 30, 2019 and December 31, 2018, we had outstanding commitments to third parties to fund investments totaling \$149.3 million and

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\$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 June 30, 2019 and December 31, 2018, we had commitment letters to purchase investments in an aggregate par amount of \$100.0 million and \$27.5 million, respectively. As of June 30, 2019 and December 31, 2018, we had not entered into any bridge financing commitments which could require funding in the future.

As of June 30, 2019, we had unfunded commitments related to an equity investment in SLP III of \$20.0 million, which may be funded at our discretion.

Contractual Obligations

A summary of our significant contractual payment obligations as of June 30, 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)	\$ 549.1	\$ —	\$ —	\$ 549.1	\$ —
Unsecured Notes(2)	453.3	—	90.0	363.3	—
SBA-guaranteed debentures(3)	165.0	—	—	—	165.0
Convertible Notes(4)	201.2	—	—	201.2	—
NMFC Credit Facility(5)	135.0	—	135.0	—	—
DB Credit Facility(6)	100.0	—	—	100.0	—
Total Contractual Obligations	\$ 1,603.6	\$ —	\$ 225.0	\$ 1,213.6	\$ 165.0

(1) Under the terms of the \$720.0 million Holdings Credit Facility, all outstanding borrowings under that facility (\$549.1 million as of June 30, 2019) must be repaid on or before October 24, 2022. As of June 30, 2019, there was approximately \$170.9 million of possible capacity remaining under the Holdings Credit Facility.

(2) \$90.0 million of the 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased, \$55.0 million of the 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased, \$90.0 million of the 2018A Unsecured Notes will mature on January 30, 2023 unless earlier repurchased, \$50.0 million of the 2018B Unsecured Notes will mature on June 28, 2023 unless earlier repurchased, \$51.8 million of the 5.75% Unsecured Notes will mature on October 1, 2023 unless earlier repurchased and \$116.5 million of the 2019A Unsecured Notes will mature on April 30, 2024 unless earlier repurchased.

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

(4) The 2018 Convertible Notes will mature on August 15, 2023 unless earlier converted or repurchased at the holder's option or redeemed by us.

(5) Under the terms of the \$135.0 million NMFC Credit Facility, all outstanding borrowings under that facility (\$135.0 million as of June 30, 2019) must be repaid on or before June 4, 2022. As of June 30, 2019, there was no capacity remaining under the NMFC Credit Facility.

(6) Under the terms of the \$150.0 million DB Credit Facility, all outstanding borrowings under that facility (\$100.0 million as of June 30, 2019) must be repaid on or before December 14, 2023. As of June 30, 2019, there was \$50.0 million of possible capacity remaining under the DB Credit Facility.

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

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

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

Distributions and Dividends

Distributions declared and paid to stockholders for the six months ended June 30, 2019 totaled approximately \$54.7 million.

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

Fiscal Year Ended	Date Declared	Record Date	Payment Date	Per Share Amount (1)
December 31, 2019				
Second Quarter	May 1, 2019	June 14, 2019	June 28, 2019	\$ 0.34
First Quarter	February 22, 2019	March 15, 2019	March 29, 2019	0.34
				<u>\$ 0.68</u>
December 31, 2018				
Fourth Quarter	November 1, 2018	December 14, 2018	December 28, 2018	\$ 0.34
Third Quarter	August 1, 2018	September 14, 2018	September 28, 2018	0.34
Second Quarter	May 2, 2018	June 15, 2018	June 29, 2018	0.34
First Quarter	February 21, 2018	March 15, 2018	March 29, 2018	0.34
				<u>\$ 1.36</u>
December 31, 2017				
Fourth Quarter	November 2, 2017	December 15, 2017	December 28, 2017	\$ 0.34
Third Quarter	August 4, 2017	September 15, 2017	September 29, 2017	0.34
Second Quarter	May 4, 2017	June 16, 2017	June 30, 2017	0.34
First Quarter	February 23, 2017	March 17, 2017	March 31, 2017	0.34
				<u>\$ 1.36</u>

- (1) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 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.

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

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

Related Parties

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

- We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.
- We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer.

and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three and six months ended June 30, 2019 approximately \$0.7 million and \$1.4 million, respectively, of indirect administrative expenses were included in administrative expenses, of which approximately \$0.3 million and \$0.3 million, respectively, were waived by the Administrator. As of June 30, 2019, \$0.4 million of indirect administrative expenses were included in payable to affiliates.

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the six months ended June 30, 2019, certain of the loans held in our portfolio had floating interest rates. As of June 30, 2019, approximately 92.4% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 7.6% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on June 30, 2019. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of June 30, 2019. Interest expense on our floating rate credit facilities is calculated using the interest rate as of June 30, 2019, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of June 30, 2019. These hypothetical calculations are based on a model of the investments in our portfolio, held as of June 30, 2019, and are only adjusted for assumed changes in the underlying base interest rates.

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

Change in Interest Rates	Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited)
-25 Basis Points	(2.33)%
Base Interest Rate	— %
+100 Basis Points	9.33 %
+200 Basis Points	18.67 %
+300 Basis Points	28.00 %

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*

As of June 30, 2019 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) *Changes in Internal Controls Over Financial Reporting*

Management has not identified any change in our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

Item 1. Legal Proceedings

We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of June 30, 2019. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which could materially affect our business, financial condition and/or operating results, including the Risk Factor titled “Recent legislation allows us to incur additional leverage, which could increase the risk of investing in our securities”. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes during the six months ended June 30, 2019 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2018.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Concerns have been publicized that some of the member banks surveyed by the British Bankers’ Association, or the “BBA,” in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

On July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate (“SOFR”). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established, which may have an adverse effect on our results of operations. In addition, if LIBOR ceases to exist, we may need to renegotiate any LIBOR based revolving credit facilities to replace LIBOR with the new standard that is established in its place. If we are unable to do so, amounts drawn under the revolving credit facility may bear interest at a higher rate, which would increase the cost of our borrowings and, in turn, affect our results of operations.

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

We did not engage in unregistered sales of equity securities during the quarter ended June 30, 2019.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the quarter ended June 30, 2019, we did not purchase any of our common stock in the open market in connection with our dividend reinvestment plan.

Stock Repurchase Program

On February 4, 2016, our board of directors authorized a program for the purpose of repurchasing up to \$50.0 million worth of our common stock. Under the repurchase program, we were permitted, but were not obligated to, repurchase our

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outstanding common stock in the open market from time to time, provided that we complied with our code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 31, 2018, our board of directors extended our repurchase program and we expect the repurchase program to be in place until the earlier of December 31, 2019 or until \$50.0 million of outstanding shares of common stock have been repurchased. We did not repurchase any shares of our common stock under the repurchase program during the quarter ended June 30, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

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

Exhibit Number	Description
3.1(a)	Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)
3.1(b)	Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)
3.2	Amended and Restated Bylaws of New Mountain Finance Corporation(2)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation New Mountain Finance Corporation(4)
4.1	Form of Stock Certificate of New Mountain Finance Corporation(1)
10.1	Form of Third Amended and Restated Loan and Security Agreement, conformed through the Third Amendment to the Loan and Security Agreement dated as of May 7, 2019, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian(5)
10.2	Form of Joinder Supplement, dated as of May 7, 2019, by and among Fifth Third Bank, New Mountain Finance Holdings, L.L.C., as the borrower, and Wells Fargo Bank, National Association, as the administrative agent(5)
10.3	Form of Amendment No. 2 to Loan Financing and Servicing Agreement, dated as of June 28, 2019, by and among New Mountain Finance Corporation, as the equityholder, New Mountain Finance DB, L.L.C., as the borrower, U.S. Bank National Association, as the collateral Agent and collateral custodian, and Deutsche Bank AG, New York Branch, as the facility agent, agent and a lender(6)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

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- (1) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.
 - (2) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.
 - (3) Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.
 - (4) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on April 3, 2019.
 - (5) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on May 9, 2019.
 - (6) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on July 3, 2019.

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Section 3: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

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

Dated this 7th day of August, 2019

/s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee

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Section 4: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Robert A. Hamwee, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ ROBERT A. HAMWEE

Name: Robert A. Hamwee

Date: August 7, 2019

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Section 5: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of New Mountain Finance Corporation (the "Registrant"), as filed with the United States Securities and Exchange Commission on the date hereof, I, Shiraz Y. Kajee, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ SHIRAZ Y. KAJEE

Name: Shiraz Y. Kajee

Date: August 7, 2019

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